

Heifer Project International

Consolidated Financial Report and
Supplementary Information
June 30, 2025

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Independent Auditor's Report

Board of Directors
Heifer Project International

Report on the Audit of Financial Statements

Opinion

We have audited the consolidated financial statements of Heifer Project International (the Organization), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual organizations and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2026, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RSM US LLP

Kansas City, Missouri

February 2, 2026

Heifer Project International

Consolidated Statements of Financial Position June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 53,870,725	\$ 26,350,232
Restricted cash and cash equivalents	22,830,080	16,018,627
Accounts and interest receivable, net of allowance and discount	6,911,329	9,890,878
Grant reimbursements receivable	278,935	532,665
Prepaid expenses	3,822,472	3,990,578
Investments	3,591,904	3,790,190
Contributions receivable, net of allowance and discount	397,800	476,304
Interest in net assets of Heifer International Foundation	204,303,287	195,943,610
Property and equipment, net of accumulated depreciation	7,873,868	42,575,814
Right-of-use assets—operating leases	9,417,454	2,532,292
	<u>9,417,454</u>	<u>2,532,292</u>
Total assets	\$ 313,297,854	\$ 302,101,190
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 9,768,656	\$ 8,196,364
Accrued expenses	11,058,775	6,479,824
Refundable advance	20,171,005	11,745,869
Line of credit—related party	3,038,870	4,540,183
Operating lease obligations	9,688,145	2,889,275
	<u>9,688,145</u>	<u>2,889,275</u>
Total liabilities	53,725,451	33,851,515
Commitments and contingencies (Notes 7, 10 and 16)		
Net assets:		
Without donor restrictions:		
Undesignated	24,456,092	66,612,751
Board-designated	27,000,000	-
With donor restrictions	208,116,311	201,636,924
	<u>208,116,311</u>	<u>201,636,924</u>
Total net assets	259,572,403	268,249,675
	<u>259,572,403</u>	<u>268,249,675</u>
Total liabilities and net assets	\$ 313,297,854	\$ 302,101,190
	<u>\$ 313,297,854</u>	<u>\$ 302,101,190</u>

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statement of Activities Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 133,623,048	\$ 4,352,842	\$ 137,975,890
Federal government grants	2,864,373	-	2,864,373
Other grants	20,342,576	-	20,342,576
Educational programs	50,591	-	50,591
Promotional events and material sales, net of cost	85,100	-	85,100
Contributed nonfinancial assets	7,032,735	-	7,032,735
Other income	3,090,042	-	3,090,042
Loss on sale of property and equipment	(7,783,996)	-	(7,783,996)
Change in interest in net assets of Heifer International Foundation	5,169,531	8,359,678	13,529,209
Net assets released from restrictions	6,233,133	(6,233,133)	-
Total revenues, gains and other support	170,707,133	6,479,387	177,186,520
Expenses and losses:			
Program services	137,383,400	-	137,383,400
Management and general	9,731,719	-	9,731,719
Fundraising	38,721,817	-	38,721,817
Total expenses and losses	185,836,936	-	185,836,936
Change in net assets from operations	(15,129,803)	6,479,387	(8,650,416)
Other changes in net assets:			
Foreign currency translation adjustment	(26,856)	-	(26,856)
Total change in net assets	(15,156,659)	6,479,387	(8,677,272)
Net assets, beginning of year	66,612,751	201,636,924	268,249,675
Net assets, end of year	\$ 51,456,092	\$ 208,116,311	\$ 259,572,403

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 125,226,421	\$ 3,130,044	\$ 128,356,465
Federal government grants	2,319,370	-	2,319,370
Other grants	16,089,328	-	16,089,328
Educational programs	67,031	-	67,031
Promotional events and material sales, net of cost	87,657	-	87,657
Contributed nonfinancial assets	5,880,600	-	5,880,600
Other income	3,468,152	-	3,468,152
Change in interest in net assets of Heifer International Foundation	5,174,444	9,473,398	14,647,842
Net assets released from restrictions	3,561,333	(3,561,333)	-
Total revenues, gains and other support	161,874,336	9,042,109	170,916,445
Expenses and losses:			
Program services	118,881,082	-	118,881,082
Management and general	8,379,651	-	8,379,651
Fundraising	38,096,240	-	38,096,240
Total expenses and losses	165,356,973	-	165,356,973
Change in net assets from operations	(3,482,637)	9,042,109	5,559,472
Other changes in net assets:			
Foreign currency translation adjustment	(817,036)	-	(817,036)
Total change in net assets	(4,299,673)	9,042,109	4,742,436
Net assets, beginning of year	70,912,424	192,594,815	263,507,239
Net assets, end of year	\$ 66,612,751	\$ 201,636,924	\$ 268,249,675

See notes to consolidated financial statements.

Heifer Project International

Consolidated Statements of Cash Flows Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (8,677,272)	\$ 4,742,436
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	2,803,821	2,789,171
Change in allowance for credit losses	1,832,781	(45,085)
Amortization of contribution receivable discount	(11,105)	(32,681)
Change in interest in net assets of Heifer International Foundation	(13,529,208)	(14,647,842)
Loss (gain) on disposals and sales of property and equipment	7,689,706	(165,867)
Right-of-use assets—operating leases	(6,885,162)	128,543
Operating lease liabilities	6,798,870	52,062
Unrealized foreign exchange differences of fixed assets	40,853	136,550
Net realized and unrealized losses (gains) on investments	131,159	(657,782)
Stock donation	(2,159,046)	(1,921,614)
Proceeds from sales of donated stock	2,154,544	1,922,603
Changes in:		
Accounts and interest receivable	1,082,517	(1,264,296)
Grant reimbursements receivable	253,730	12,970
Prepaid expenses and other	239,735	(2,027,528)
Contributions receivable	153,860	1,288,435
Accounts payable	1,536,563	1,381,946
Accrued expenses	4,578,951	730,752
Refundable advance	8,425,136	5,410,119
Net cash provided by (used in) operating activities	6,460,433	(2,167,108)
Cash flows from investing activities:		
Purchase of property and equipment	(2,044,008)	(6,206,362)
Proceeds from disposals of property and equipment	26,247,303	87,967
Proceeds from distributions from Heifer International Foundation	5,169,531	5,174,444
Net cash provided by (used in) investing activities	29,372,826	(943,951)
Cash flows from financing activities:		
Borrowings under line of credit	-	1,997,141
Principal payments on line of credit	(1,501,313)	(71,975)
Net cash (used in) provided by financing activities	(1,501,313)	1,925,166
Increase (decrease) in cash, cash equivalents and restricted cash	34,331,946	(1,185,893)
Cash, cash equivalents and restricted cash—beginning of year	42,368,859	43,554,752
Cash, cash equivalents and restricted cash—end of year	\$ 76,700,805	\$ 42,368,859

(Continued)

Heifer Project International

Consolidated Statements of Cash Flows (Continued) Years Ended June 30, 2025 and 2024

	2025	2024
Supplemental schedules of noncash operating and investing activities:		
Purchases of property and equipment in accounts payable	<u>\$ 35,729</u>	<u>\$ 110,129</u>
Donation of stock	<u>\$ 2,159,046</u>	<u>\$ 1,921,614</u>
Right-of-use assets obtained in exchange for new operating lease obligations	<u>\$ 9,170,596</u>	<u>\$ 370,650</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 117,617</u>	<u>\$ 110,754</u>
Cash paid during the year for operating lease liabilities	<u>\$ 742,138</u>	<u>\$ 312,147</u>
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	<u>\$ 26,870,725</u>	<u>\$ 26,350,232</u>
Restricted cash (assets restricted for long-term purposes)	<u>49,830,080</u>	<u>16,018,627</u>
Total cash, cash equivalents and restricted cash	<u>\$ 76,700,805</u>	<u>\$ 42,368,859</u>

See notes to consolidated financial statements.

Heifer Project International

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 80 years, Heifer Project International has invested in smallholder farming households and their communities around the world, supporting them to build businesses that are economically and environmentally sustainable. Through interventions designed to increase social capital, economic growth and overall resilience, Heifer Project International connects farmers to markets.

Founded in 1944, and originally incorporated in Indiana in 1953, Heifer Project International was formed as an Arkansas corporation in 1997, and is headquartered in Little Rock. Operating in 19 countries across Africa, Asia and the Americas, Heifer Project International provides farmers with technical assistance and opportunities to strengthen essential skills, including finance and business management. Farmers receive farming inputs, including livestock and seeds, expert support to improve the quality and quantity of the goods they produce, as well as connections to local and international markets to increase sales and incomes. Heifer Project International works across a range of value chains, including food crops, livestock, horticulture, seafood, spices and textiles.

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

Heifer Project International's revenue and other support are derived principally from contributions from individuals and groups in the United States, with a growing share from institutional, philanthropic and other sources.

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

Basis of accounting: The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Heifer Project International

Notes to Consolidated Financial Statements

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

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

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

*Mexico LSE programmatic operation to begin fiscal year 2026

**Germany to be closed during fiscal year 2026

In addition to its U.S. program and operations, the Organization's financial statements for the fiscal years ended June 30, 2025 and 2024, include activity for the 27 international entities listed above. As of June 30, 2025, the Organization had also established two other legally separate entities in Kenya and Mexico. The Kenya entity has had no financial activity to date, and there are no current plans for the LSE to become active. The Mexico entity became active in fiscal year 2025, and incurred initial cash transfers and set-up expenses, with program operations scheduled to commence in fiscal year 2026. Germany is in process of being closed and deregistered.

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

In addition to the consolidated branch offices and LSEs, the Organization collaborates with other LSEs connected to the Organization by relationship agreements. These entities are excluded from financial consolidation by Heifer Project International management under ASC Subtopic 958-810. Under agreement, some of these entities carry the Heifer name, and all are involved in either project implementation using a shared Heifer model or providing funding for Heifer Project International programs and, in some cases, both. Common factors for each of these entities include formation as independent entities legally separate from the Organization, a largely independent governing board, and a relationship agreement with Heifer Project International. All such LSEs are encouraged to be self-supporting in their fundraising efforts and to be self-governing.

Heifer Project International

Notes to Consolidated Financial Statements

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

The Organization works with these entities as they solicit contributions to support program activities. The Organization provides support to enable these efforts. For the fiscal years ended 2025 and 2024, \$762,510 and \$720,279, respectively, of the Organization's expenses consisted of funding provided to Stichting Heifer Nederland.

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

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

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

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

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

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

Heifer Project International

Notes to Consolidated Financial Statements

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

As of June 30, 2025 and 2024, the Organization's PRI loan portfolio was \$3,832,880 and \$7,529,706, respectively, included in accounts and interest receivable on the consolidated statements of financial position. Loans are measured at the amount of cash transferred to the borrower at inception and are recorded net of discount (if a contribution element exists) or a reasonable loss reserve. The loss reserve is reviewed annually and adjusted if collectability risk has significantly changed based on the Organization's understanding of the borrower's financial health and payment history. Costs of making loans are expensed as incurred, and a loss reserve of \$3,389,544 and \$983,260 has been recorded for the years ended June 30, 2025 and 2024, respectively. The Organization has provided loan guarantees of \$100,000 and \$8,068,000, of which, loss exposure related to the guarantees is \$100,000 and \$6,307,771 as of June 30, 2025 and 2024, respectively. The PRI portfolio includes two equity investments valued at \$473,002 as of June 30, 2025 and 2024, which are recorded within investments on the consolidated statements of financial position.

Investments and investment return: The Organization's investments, primarily consisting of mutual funds and private equity, were \$3,591,904 and \$3,790,190 at June 30, 2025 and 2024, respectively. Investments in equity and debt securities having readily determinable fair values are carried at fair value. Private equity investments without readily determinable values are carried at fair value determined through the use of a valuation methodology undertaken by an independent third party. Investment return includes dividend, interest and other investment income, net of investment management fees, 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. Net investment return is recorded within other income on the consolidated statements of activities for the years ended June 30, 2025 and 2024.

Beneficial interest in assets held by HIF: Heifer Project International and HIF are financially interrelated entities with a common mission. HIF seeks private support for and holds net assets on behalf of Heifer Project International. HIF transfers assets to Heifer Project International when approved by HIF's trustees. Heifer Project International's interest in the net assets of HIF is accounted for in a manner similar to the equity method of accounting. The interest is reflected as an asset on the Organization's consolidated statements of financial position at an amount equal to HIF's net assets held for Heifer Project International. The Organization's overall interest in net assets of HIF was \$204,303,287 and \$195,943,610 at June 30, 2025 and 2024, 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.

Heifer Project International

Notes to Consolidated Financial Statements

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

Accounts receivable also includes receivables from dairy farmer business associations (DFBAs) for project equipment procured by the Organization using the East Africa Dairy Development (EADD) investment fund, as well as advances to or collections by local banks providing DFBA financing. Under the agreement with the Gates Foundation, the EADD investment fund was established to provide a source of funding for initial procurement of chilling plant equipment, and funding for and then guarantee of loan financing to local farmer associations. The Organization adopted ASC 326, Financial Instruments—Credit Losses, as of July 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include receivables from dairy farmer business associations, advances to or collections by local banks providing DFBA financing and other trade receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. At June 30, 2025 and 2024, \$179,969 and \$624,501, respectively, remained in accounts receivable from the DFBAs, against which was recorded an allowance for credit losses of \$179,969 and \$444,633 for the years ended June 30, 2025 and 2024, respectively. The allowance for credit losses was established using management estimates based upon repayment performance to date and other factors.

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

The Organization also receives conditional promises to give, which are not recognized as revenue or included in receivables until such time as the conditions are substantially met. Conditional promises may be given by foundations, corporations or government agencies desiring to partner with the Organization in project funding. Such funding arrangements may take the form of grant awards, contribution agreements, cooperative agreements, relationship agreements or memorandums of understanding. Common to each of these arrangements is that payments are contingent upon achieving significant monitored and reported progress in project implementation. Cash received in advance of achievement of the contractual requirements is reported as refundable advance. 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, 2025 and 2024, the Organization had \$99,978,374 and \$121,124,434, 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, 2025 or 2024.

Heifer Project International

Notes to Consolidated Financial Statements

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

Leases: The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset, and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public entities to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

ASC Topic 842 includes a number of reassessment and remeasurement requirements for leases based on triggering events or conditions. The Organization reviewed the reassessment and remeasurement requirements, and did not identify any events or conditions during the year ended June 30, 2025, that required reassessment or remeasurement. In addition, there were no impairment indicators identified during the years ended June 30, 2025 and 2024, that required an impairment test for the Organization's right-of-use assets.

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.

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

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.

Heifer Project International

Notes to Consolidated Financial Statements

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

Board-designated net assets without donor restrictions: Net assets are classified as without donor restrictions, as they are not subject to donor-imposed stipulations, but the Organization's Board of Directors has designated them to be used for program-related activities that furthers Heifer's Mission.

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

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

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

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

Contributions of non-financial assets: In-kind contributions of media and broadcast time in the form of public service announcements were received during the fiscal years ended June 30, 2025 and 2024, with estimated values of \$6,934,453 and \$5,869,987, respectively, and included within the contributed nonfinancial assets line item on the consolidated statements of activities. The estimated fair value was provided by the public service announcement service provider and an independent third party and then reviewed by management.

Heifer Project International

Notes to Consolidated Financial Statements

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

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

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

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

Income taxes: The Organization is exempt from income taxes in the United States of America under Section 501 of the Internal Revenue Code and a similar provision of state law. While Heifer Project International is a tax-exempt organization, the Organization is still subject to income tax on any unrelated business taxable income. No tax liability was required to be recorded for unrelated business income as of June 30, 2025 and 2024. Certain countries in which the Organization operates do not exempt charitable companies from taxes; therefore, the Organization may be subject to taxes in those countries. Shared Wealth Ventures, LLC, the Organization's wholly owned subsidiary, is considered a disregarded entity for tax purposes. U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that, more likely than not, would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization and has concluded that, as of June 30, 2025 and 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

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, including salaries, payroll taxes, benefits, professional fees, depreciation and other operating expenses incurred at the Heifer Project International headquarters level are allocated among program, management and general and fundraising categories, directly where such relationship is clear, and indirectly based on time studies, headcount and other ratable allocation methods. The Organization conducts activities that jointly serve its education program objectives, as well as fundraising and general and administrative activities. These costs, which are not specifically attributable to a single function or activity (i.e., joint costs), are allocated among functional categories using systematic, consistently applied methods in accordance with ASC Section 958-720-55, Not-for-Profit Entities—Other Expenses—Accounting for Costs of Activities that Include Fundraising.

Heifer Project International

Notes to Consolidated Financial Statements

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

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

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, 2025 and 2024, the following financial assets are available to meet annual operating needs of the upcoming fiscal years:

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 26,870,725	\$ 26,350,232
Accounts receivable, net	1,926,315	609,032
Grant reimbursements receivable	278,935	532,665
Contributions receivable available for operations	135,011	85,011
Distribution from beneficial interest in assets held by HIF	2,035,178	5,338,117
	<u>\$ 31,246,164</u>	<u>\$ 32,915,057</u>

Heifer Project International has various sources of liquidity at its disposal, including cash and cash equivalents and a line of credit. See Note 7 for information about the Organization's line of credit. At June 30, 2025, the Organization has \$27,000,000 in funds designated by the Board to be used for program-related activities that furthers Heifer's Mission. These funds could be drawn upon to meet its general expenditures if the Board approved of such action.

Note 3. Contributions of Non-Financial Assets

Contributed nonfinancial assets utilized in programs and activities for the years ended June 30, 2025 and 2024, are as follows:

Category	Utilization	Valuation	2025	2024
Agricultural	Development programs	Lower of cost or market or net realizable value	\$ -	\$ 10,369
Public service announcement (PSA)	Fundraising and public info	Market value of PSA from the service provider	6,934,453	5,869,987
Supplies/equipment	Development programs, general and administrative	Fair value provided by donor, lower of cost or market or net realizable value	98,282	244
Total			<u>\$ 7,032,735</u>	<u>\$ 5,880,600</u>

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

Heifer Project International

Notes to Consolidated Financial Statements

Note 4. Contributions Receivable

Contributions receivable are considered restricted as to timing since the funds from such contributions are not available for use until received by the Organization. Contributions receivable at June 30, 2025 and 2024, consisted of the following:

	2025	2024
Due within one year	\$ 135,011	\$ 93,860
Due within five years	234,254	324,265
Due beyond five years	82,100	127,100
	<u>451,365</u>	<u>545,225</u>
Less:		
Allowance for uncollectible pledges	22,568	26,819
Unamortized discount	30,997	42,102
	<u>\$ 397,800</u>	<u>\$ 476,304</u>

At June 30, 2025 and 2024, one donor accounted for 77% and 76% of total contributions receivable, respectively.

Note 5. Interest in Net Assets of Heifer International Foundation

The Organization recognizes revenue for its change in interest in net assets of HIF after first taking into consideration the effect of any HIF distribution transactions during the year, as well as Heifer Project International transfers to the HIF endowment. The Organization accounts for distributions from HIF to Heifer Project International as asset transfers, decreasing the Organization's interest in the net assets of HIF. Conversely, transfers by Heifer Project International to the HIF endowment are recognized as increases to Heifer's interest in net assets of HIF. During the years ended June 30, 2025 and 2024, the Organization's overall interest in net assets of HIF increased by \$8,359,677 and \$9,473,398, respectively.

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

	2025	2024
Beginning balance, July 1	\$ 195,943,610	\$ 186,470,212
HIF distributions to Heifer	(5,169,531)	(5,174,444)
Heifer's change in interest in net assets to HIF	13,529,208	14,647,842
Net increase in Heifer's interest in net assets	8,359,677	9,473,398
Ending balance, June 30	<u>\$ 204,303,287</u>	<u>\$ 195,943,610</u>

Heifer Project International

Notes to Consolidated Financial Statements

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

The Organization and HIF both receive contributions in the form of testamentary bequests wherein Heifer Project International is named beneficiary which, unless otherwise restricted by the donor, are accounted for as contributions without donor restrictions to Heifer Project International and may, at the Organization's discretion, be transferred to HIF. For the years ended June 30, 2025 and 2024, there were no contributions to the HIF endowment. However, in years when Heifer Project International contributes to the HIF endowment, those contributions are recorded through the Organization's interest in net assets of HIF. The Organization recognizes that such transfers to the HIF endowment do not meet the FASB's definition of a contribution as per ASC Section 958-605-20, since Heifer Project International is ultimately the beneficiary of the transfers. However, they do qualify as donor-restricted additions to HIF's endowment under the legal standards of UPMIFA as codified in Arkansas Code Annotated (ACA) §28-69-801 and following, especially ACA §28-69-802 and §28-69-804 (along with the Uniform Law Comments thereto). As required by law, HIF recognizes these transfers as donor-restricted increases to its permanent endowment fund and, thus, its net assets with donor restrictions. To ensure a meaningful financial statement presentation, Heifer Project International management has elected to retain HIF's net asset with donor restrictions classification for these funds in recognizing the Organization's change in interest in net assets of HIF.

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

The Foundation recorded total net assets at June 30, 2025 and 2024, of \$204,303,287 and \$195,943,610, respectively, which make up a portion of Heifer Project International's net assets with donor restrictions.

In accordance with ASC Section 958-205-45, Losses of an Endowment Fund, the Foundation records investment losses on net assets with donor restrictions against net assets without donor restrictions, which may result in a net negative net asset without donor restrictions balance recorded by HIF. The Organization applies a net negative HIF net asset without donor restrictions balance against its own net assets without donor restrictions. However, Heifer Project International records a net positive HIF net asset without donor restriction balance as donor-restricted, which in essence recognizes that these assets remain unavailable to the Organization until authorized for distribution by the Foundation's donors and board. For the years ended June 30, 2025 and 2024, HIF reported net assets without donor restrictions of \$43,717,483 and \$40,575,752, respectively, which are included as a portion of the Organization's net assets with donor restrictions balance.

Note 6. Property and Equipment

Property and equipment is carried at cost, net of accumulated depreciation, and at June 30, 2025 and 2024, consisted of the following:

	2025	2024
Land and improvements	\$ 1,320,311	\$ 11,387,446
Buildings	5,003,036	49,075,541
Vehicles	6,223,947	6,200,213
Furniture, fixtures, hardware and software	17,459,094	22,615,783
Construction in progress	399,357	641,589
	<u>30,405,745</u>	<u>89,920,572</u>
Less accumulated depreciation	22,531,877	47,344,758
	<u>\$ 7,873,868</u>	<u>\$ 42,575,814</u>

Heifer Project International

Notes to Consolidated Financial Statements

Note 6. Property and Equipment (Continued)

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

Depreciation expense amounted to \$3,554,951 and \$3,288,364 for the years ended June 30, 2025 and 2024, respectively, of which \$783,088 and \$823,308, respectively, relates to the depreciation expense recorded by country programs, and \$693,186 and \$499,193, respectively, relates to lease amortization. Costs, including depreciation expenses, incurred at the country-office level are included in program services costs from grants and field operations as disclosed in Note 13.

On March 6, 2025, the Company completed a sale-leaseback transaction involving its corporate headquarters located in Little Rock, Arkansas. The property was sold to an unrelated third party for a contracted sale price of \$27,000,000 and, simultaneously, leased back under a 10-year non-cancelable operating lease agreement for certain floors of the building. The Organization derecognized the building from property and equipment and recognized cash proceeds of \$26,098,485. A loss of \$7,739,281 was recorded as the book value exceeded the sales price at the date of transaction, and the loss on sale of the property is recorded within the line item called loss on sale of property and equipment on the consolidated statement of activities for the year ended June 30, 2025. An ROU asset and corresponding lease liability of \$9,170,596 were recognized, representing the present value of future lease payments. See Note 10 for more information on lease commitments.

Note 7. Lines of Credit

The Organization has two revolving credit facilities with HIF. The available line of credit for operating expenses is the greater of \$7,500,000 or 10% of the market value of the HIF total endowment, \$19,837,019, with draws against this line of credit to have a maximum repayment term of three years and accrue interest at an agreed-upon rate no higher than the prime rate. During the years ended June 30, 2025 and 2024, there were no draws made under this line of credit agreement and, therefore, no interest was paid to the Foundation.

The Organization entered into a revolving line of credit agreement with HIF during 2018 that was only available to the Organization for use in connection with the impact investments made by Shared Wealth Ventures, LLC. The available line of credit was \$7,500,000, and draws against the line accrue interest at 3%. As of June 30, 2024, no additional draws may be made against the line of credit. The Organization made no draws during the year ended June 30, 2025. The Organization made five draws totaling \$1,997,141 during the year ended June 30, 2024. The Organization made repayments of \$1,501,313 and \$71,975 during the years ended June 30, 2025 and 2024, respectively. The outstanding balance as of June 30, 2025 and 2024, is \$3,038,870 and \$4,540,183, respectively.

Heifer Project International

Notes to Consolidated Financial Statements

Note 8. Net Assets

Net assets with donor restrictions: Net assets with donor restrictions at June 30, 2025 and 2024, are restricted for the following purposes:

	2025	2024
Subject to expenditure for specified purpose:		
Sustainable projects	\$ 274,056	\$ 316,775
Proceeds which have been restricted by donors for:		
Sustainable projects	3,418,020	5,228,655
	<u>3,692,076</u>	<u>5,545,430</u>
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	120,948	147,884
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by HIF	204,303,287	195,943,610
	<u>\$ 208,116,311</u>	<u>\$ 201,636,924</u>

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, 2025 and 2024:

	2025	2024
Satisfaction of purpose restrictions:		
Sustainable projects	\$ 6,179,150	\$ 1,183,112
Proceeds which have been restricted by donors for:		
Sustainable projects	22,500	2,346,738
	<u>6,201,650</u>	<u>3,529,850</u>
Expiration of time restrictions	31,483	31,483
	<u>\$ 6,233,133</u>	<u>\$ 3,561,333</u>

Note 9. Revenue from Contracts with Customers

Significant changes in refundable advances for the years ended June 30, 2025 and 2024, are as follows:

	2025	2024
Refundable advance, beginning of year	\$ 11,745,869	\$ 6,335,750
Increases in refundable advance due to cash received during the year	25,915,669	9,591,223
Revenue recognized	(17,490,533)	(4,181,104)
Refundable advance, end of year	<u>\$ 20,171,005</u>	<u>\$ 11,745,869</u>

Heifer Project International

Notes to Consolidated Financial Statements

Note 10. Operating Lease Commitments

The Organization leases office space under operating lease agreements that have initial terms that vary by location. Some leases include one or more options to renew, generally at the Organization's sole discretion, with renewal terms that can extend the lease term. In addition, certain leases contain termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization considers a number of factors when evaluating whether the options in its lease contracts are reasonably certain of exercise, such as the length of time before option exercise, expected value of the leased asset at the end of the initial term, importance of the lease to overall operations, lessor relationship, costs to negotiate a new lease and any contractual or economic penalties. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the years ended June 30, 2025 and 2024:

	2025	2024
Operating lease cost	\$ 814,209	\$ 615,445
Short-term lease cost	989,757	561,768
Total lease cost	<u>\$ 1,803,966</u>	<u>\$ 1,177,213</u>

The following table summarizes the annual operating lease obligations, respectively by year:

	U.S. Leases	International Leases
Years ending June 30:		
2026	\$ 1,066,666	\$ 533,829
2027	1,072,022	95,730
2028	1,090,763	67,145
2029	1,109,847	25,412
2030	1,129,277	-
Thereafter	5,637,956	-
Total lease payments	11,106,531	722,116
Less imputed interest	(2,001,214)	(139,288)
Total present value of lease liabilities	<u>\$ 9,105,317</u>	<u>\$ 582,828</u>

For operating leases, the weighted average remaining lease term at June 30, 2025, is 9.3 years, and the discount rate varies by country.

Heifer Project International

Notes to Consolidated Financial Statements

Note 11. Retirement Plans

The Organization sponsors two defined contribution retirement plans: a 403(b) plan and a nonqualified offshore retirement plan and all U.S.-based employees are eligible for the 403(b) plan. Certain country directors and other staff who are based in international countries are participants in the nonqualified offshore retirement plan. During the 2025 and 2024 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 2025 and 2024 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 \$1,822,121 and \$1,750,429 for the years ended June 30, 2025 and 2024, respectively.

Note 12. Functional Expenses

The Organization classified expenses functionally for the years ended June 30, 2025 and 2024, as follows:

	2025			
	Program Services	Management and General	Fundraising	Total Expenses
Program costs—grants and field operations	\$ 81,319,658	\$ -	\$ -	\$ 81,319,658
Salaries and wages	13,457,375	4,501,433	6,385,655	24,344,463
Payroll taxes	1,012,005	277,156	479,405	1,768,566
Retirement plan contributions	926,581	261,810	420,483	1,608,874
Other employee benefits	1,459,952	381,525	672,003	2,513,480
Other personnel expenses	1,091,387	11,846	139,107	1,242,340
Volunteer expenses	9,109	192	288	9,589
Travel	1,374,039	333,804	445,689	2,153,532
Conferences and meetings	493,783	90,748	64,855	649,386
Occupancy	1,133,403	148,263	240,962	1,522,628
Equipment—minor purchases, rentals	990,185	429,611	1,048,119	2,467,915
Supplies	336,527	39,267	46,506	422,300
Printing and other media expense	3,416,748	13,011	5,835,326	9,265,085
Marketing and promotion expense	10,811,323	211,112	2,916,285	13,938,720
Accounting and audit fees	46,336	309,158	-	355,494
Legal fees	155,052	194,680	27,180	376,912
Other professional and consulting fees	11,292,406	1,120,484	12,573,958	24,986,848
Property and casualty insurance	266,100	255,647	87,899	609,646
Communications charges	226,535	102,431	133,294	462,260
Postage, shipping and freight	2,761,816	10,743	4,790,113	7,562,672
Depreciation	1,995,926	290,640	485,298	2,771,864
Interest expense	10,284	3,027	22,843	36,154
Other expenses	2,796,870	745,131	1,906,549	5,448,550
Total expenses and losses	<u>\$ 137,383,400</u>	<u>\$ 9,731,719</u>	<u>\$ 38,721,817</u>	<u>\$ 185,836,936</u>

Heifer Project International

Notes to Consolidated Financial Statements

Note 12. Functional Expenses (Continued)

	2024			
	Program Services	Management and General	Fundraising	Total Expenses
Program costs—grants and field operations	\$ 64,480,389	\$ -	\$ -	\$ 64,480,389
Salaries and wages	13,916,138	3,501,308	6,172,103	23,589,549
Payroll taxes	1,018,639	244,149	482,611	1,745,399
Retirement plan contributions	848,622	233,212	409,815	1,491,649
Other employee benefits	1,411,303	350,872	614,285	2,376,460
Other personnel expenses	755,040	16,721	178,726	950,487
Volunteer expenses	14,186	-	-	14,186
Travel	1,691,664	220,825	412,477	2,324,966
Conferences and meetings	473,569	22,108	70,778	566,455
Occupancy	788,583	154,352	254,529	1,197,464
Equipment—minor purchases, rentals	1,050,653	561,351	1,102,549	2,714,553
Supplies	394,540	36,472	55,920	486,932
Printing and other media expense	3,435,310	618	5,807,573	9,243,501
Marketing and promotion expense	9,572,428	224,701	1,760,580	11,557,709
Accounting and audit fees	112,965	297,289	201	410,455
Legal fees	119,885	149,579	29,025	298,489
Other professional and consulting fees	11,241,174	634,376	13,907,398	25,782,948
Property and casualty insurance	174,137	380,673	15,079	569,889
Communications charges	245,487	166,412	172,651	584,550
Postage, shipping and freight	2,637,138	12,441	4,458,973	7,108,552
Depreciation	1,892,328	216,344	356,384	2,465,056
Interest expense	144	102	22	268
Other expenses	2,606,760	955,746	1,834,561	5,397,067
Total expenses and losses	<u>\$ 118,881,082</u>	<u>\$ 8,379,651</u>	<u>\$ 38,096,240</u>	<u>\$ 165,356,973</u>

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, 2025 and 2024, the costs of conducting these appeals included a total of \$12,539,142 and \$12,203,460, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs are included in printing and other media expense, marketing and promotion expense, and the postage, shipping and freight line items within the functional expense tables presented in Note 13, and were allocated as follows:

	2025	2024
Fundraising	\$ 7,634,288	\$ 7,441,517
Educational programs	4,904,854	4,761,943
	<u>\$ 12,539,142</u>	<u>\$ 12,203,460</u>

Heifer Project International

Notes to Consolidated Financial Statements

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. Fair values are determined through the use of models or other valuation methodologies.

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

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

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

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

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

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

Investments: Investments described in Note 1 are carried on the consolidated statements of financial position at estimated fair value. A significant portion of the investment assets are classified within Level 2 because they are private equity securities that are not available for sale and do not have readily determinable fair values. The fair values are determined by a Market Approach valuation analysis conducted by an independent third party. Accordingly, these investments are classified by management as Level 2 assets in the fair value hierarchy and the balance totaled \$3,096,386 and 3,242,270 as of June 30, 2025 and 2024, respectively.

Heifer Project International

Notes to Consolidated Financial Statements

Note 15. Significant Estimates and Concentrations

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

Assets maintained in foreign countries: The Organization maintains significant assets in the countries in which it operates. These assets generally are composed of cash and property and equipment that are used in programs. At June 30, 2025 and 2024, cash balances totaling \$15,528,136 and \$11,643,495, respectively, were held by banks in foreign countries, and property and equipment with a net carrying value of \$3,226,801 and \$2,910,474, respectively, was held by foreign program offices.

Cash balances that are held in the denominations of the foreign country are subject to valuation adjustments based on exchange rates in effect at any given time. These cash accounts are not insured by the Federal Deposit Insurance Corporation and may not be insured by any other means. Transfers of funds back to the United States may be restricted due to local market conditions or the laws governing such transactions in the country where the assets are maintained. The Federal Deposit Insurance Corporation (FDIC) provides coverage for certain accounts up to \$250,000. The Organization places its cash and cash equivalents in deposits with regulated financial institutions and, at times, some deposits may be in excess of the FDIC insured limit.

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.

Beginning in January 2025, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration's policies. The Administration tasked federal departments with evaluating all federal programs they administer, to determine if the funding being provided falls under any of the EOs. The Organization had \$16.2M of agreements with Federal Funding agencies of which \$7.1M has been received. The balance of \$9.1M affected FY25 by \$2.6M, FY26 by \$4.0M, and FY27 by \$2.5M. Given continued uncertainty surrounding future federal funding actions, management is monitoring the situation and will continue to assess the potential effect, if any, on the financial statements.

Note 17. Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through February 2, 2026, the date the consolidated financial statements were available to be issued.

Supplementary Information

Heifer Project International

Consolidating Statement of Financial Position June 30, 2025

	Headquarters	Africa	Asia	Americas	Europe	Eliminations	Total
Assets							
Cash and cash equivalents	\$ 38,342,589	\$ 8,951,473	\$ 3,842,895	\$ 2,674,067	\$ 59,701	\$ -	\$ 53,870,725
Restricted cash	22,830,080	-	-	-	-	-	22,830,080
Accounts and interest receivable, net of allowance and discount	3,744,637	1,713,173	531,541	921,978	-	-	6,911,329
Intercompany account receivable	7,032,170	774,785	-	577,081	-	(8,384,036)	-
Grant reimbursements receivable	13,800	246,252	18,883	-	-	-	278,935
Prepaid expenses	2,992,570	685,392	58,305	86,205	-	-	3,822,472
Investments	3,569,556	-	-	22,348	-	-	3,591,904
Contributions receivable, net of allowance and discount	397,800	-	-	-	-	-	397,800
Interest in net assets of Heifer International Foundation	204,303,287	-	-	-	-	-	204,303,287
Property and equipment, net of accumulated depreciation	4,978,978	1,378,554	715,686	791,567	-	9,083	7,873,868
Right-of-use assets—operating leases	9,076,460	277,569	63,425	-	-	-	9,417,454
Total assets	\$ 297,281,927	\$ 14,027,198	\$ 5,230,735	\$ 5,073,246	\$ 59,701	\$ (8,374,953)	\$ 313,297,854
Liabilities and Net Assets							
Liabilities:							
Accounts payable	\$ 5,592,314	\$ 1,093,608	\$ 1,024,023	\$ 2,058,711	\$ -	\$ -	\$ 9,768,656
Intercompany accounts payable	7,266,439	2,460,990	1,002,007	52,252	-	(10,781,688)	-
Accrued expenses	7,175,665	1,998,213	843,488	1,207,692	-	(166,283)	11,058,775
Refundable advance	12,145,424	6,002,646	165,523	1,857,412	-	-	20,171,005
Line of credit	3,038,870	-	-	-	-	-	3,038,870
Operating lease obligations	9,105,317	516,311	66,517	-	-	-	9,688,145
Total liabilities	44,324,029	12,071,768	3,101,558	5,176,067	-	(10,947,971)	53,725,451
Net assets:							
Without donor restrictions:							
Undesignated	17,841,587	1,955,430	2,129,177	(102,821)	59,701	2,573,018	24,456,092
Board-designated	27,000,000	-	-	-	-	-	27,000,000
With donor restrictions	208,116,311	-	-	-	-	-	208,116,311
Total net assets	252,957,898	1,955,430	2,129,177	(102,821)	59,701	2,573,018	259,572,403
Total liabilities and net assets	\$ 297,281,927	\$ 14,027,198	\$ 5,230,735	\$ 5,073,246	\$ 59,701	\$ (8,374,953)	\$ 313,297,854

Heifer Project International

Consolidating Statement of Activities (Without Donor Restrictions) Year Ended June 30, 2025

	Headquarters	Africa	Asia	Americas	Europe	Eliminations	Total
Revenues, gains and other support:							
Contributions	\$ 133,272,625	\$ 28,512,468	\$ 15,910,772	\$ 13,956,489	\$ -	\$ (58,029,306)	\$ 133,623,048
Federal government grants	2,357,085	-	36,584	470,704	-	-	2,864,373
Other grants	7,856,092	5,180,804	4,014,465	3,291,215	-	-	20,342,576
Educational programs	50,591	-	-	-	-	-	50,591
Promotional events and material sales, net of cost	85,100	-	-	-	-	-	85,100
Contributed nonfinancial assets	6,934,453	81,541	16,741	-	-	-	7,032,735
Other	2,763,359	243,319	38,493	44,871	-	-	3,090,042
Loss on sale of property and equipment	(7,783,996)	-	-	-	-	-	(7,783,996)
Change in interest in net assets of Heifer International Foundation	5,169,531	-	-	-	-	-	5,169,531
Net assets released from restrictions	6,233,133	-	-	-	-	-	6,233,133
Total revenues, gains and other support	156,937,973	34,018,132	20,017,055	17,763,279	-	(58,029,306)	170,707,133
Expenses and losses:							
Program services	125,493,830	34,006,300	20,136,699	17,308,123	868	(59,562,420)	137,383,400
Management and general	9,731,719	-	-	-	-	-	9,731,719
Fundraising	38,721,817	-	-	-	-	-	38,721,817
Total expenses and losses	173,947,366	34,006,300	20,136,699	17,308,123	868	(59,562,420)	185,836,936
Change in net assets from operations	(17,009,393)	11,832	(119,644)	455,156	(868)	1,533,114	(15,129,803)
Other changes in net assets:							
Foreign currency translation adjustment	62,570	(449,303)	210,112	(27,295)	5,250	171,810	(26,856)
Total change in net assets	(16,946,823)	(437,471)	90,468	427,861	4,382	1,704,924	(15,156,659)
Net assets, beginning of year	61,788,410	2,392,901	2,038,709	(530,682)	55,319	868,094	66,612,751
Net assets, end of year	\$ 44,841,587	\$ 1,955,430	\$ 2,129,177	\$ (102,821)	\$ 59,701	\$ 2,573,018	\$ 51,456,092