Heifer International Foundation

Financial Report
June 30, 2023

Contents

RSM

Independent Auditor's Report

RSM US LLP

Board of Trustees
Heifer International Foundation

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Heifer International Foundation (the Foundation), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Heifer International Foundation as of June 30, 2023 and 2022, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Foundation'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 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, 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 Heifer International Foundation'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 Heifer International Foundation'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 financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Kansas City, Missouri
October 18, 2023

Heifer International Foundation

Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	**$ 5,437,158**	$ 9,321,106
Contributions and bequests receivable	**409,033**	508,344
Related-party receivables	**2,613,607**	2,688,067
Prepaid expenses and other assets	**183,501**	176,918
Investments	**197,370,103**	190,065,312
Total assets	**$ 206,013,402**	$ 202,759,747
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	**$ 293,070**	$ 222,628
Annuities payable	**4,070,457**	4,214,108
Trusts payable	**10,663,426**	10,295,715
Refundable advances	**4,516,238**	4,968,149
Total liabilities	**19,543,191**	19,700,600
Net assets:		
Without donor restrictions:		
Board-designated	**35,807,532**	34,513,621
Undesignated	**4,798,895**	3,236,192
Total net assets without donor restrictions	**40,606,427**	37,749,813
With donor restrictions	**145,863,784**	145,309,334
Net assets	**186,470,211**	183,059,147
Total liabilities and net assets	**$ 206,013,402**	$ 202,759,747

See notes to financial statements.

Heifer International Foundation

Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions:			
General	$ 1,320,245	$ 4,235,620	$ 5,555,865
Annuities and trusts	-	223,380	223,380
Investment gains	5,403,797	1,709,957	7,113,754
Change in split-interest obligations	-	48,180	48,180
Net assets released from restrictions	5,662,687	(5,662,687)	-
Total revenue, gains and other support	12,386,729	554,450	12,941,179
Expenses:			
Program services	7,684,548	-	7,684,548
Management and general	1,845,567	-	1,845,567
Total expenses	9,530,115	-	9,530,115
Change in net assets	2,856,614	554,450	3,411,064
Net assets, beginning of year	37,749,813	145,309,334	183,059,147
Net assets, end of year	$ 40,606,427	$ 145,863,784	$ 186,470,211

See notes to financial statements.

Heifer International Foundation

Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions:			
General	$ 1,726,757	$ 2,858,750	$ 4,585,507
Annuities and trusts	-	282,911	282,911
Investment losses	(3,280,917)	(12,575,834)	(15,856,751)
Change in split-interest obligations	-	3,295,566	3,295,566
Net assets released from restrictions	19,628,699	(19,628,699)	-
Total revenue, gains and other support	18,074,539	(25,767,306)	(7,692,767)
Expenses:			
Program services	4,518,338	-	4,518,338
Management and general	1,759,091	-	1,759,091
Total expenses	6,277,429	-	6,277,429
Change in net assets	11,797,110	(25,767,306)	(13,970,196)
Net assets, beginning of year	25,952,703	171,076,640	197,029,343
Net assets, end of year	$ 37,749,813	$ 145,309,334	$ 183,059,147

See notes to financial statements.

Heifer International Foundation

Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	**$ 3,411,064**	$ (13,970,196)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized (gain) loss on investment portfolio	**(5,049,026)**	17,150,880
Change in value of split-interest obligations	**(48,180)**	(3,295,566)
Contributions of investments	**(82,428)**	(188,177)
Contributions received restricted for long-term investment	**(4,459,000)**	(3,141,661)
Changes in operating assets and liabilities:		
Contributions and bequests receivable	**99,311**	14,321,901
Related-party receivables	**-**	797,437
Prepaid expenses and other assets	**(6,583)**	(22,033)
Accounts payable and accrued liabilities	**70,442**	22,667
Refundable advances	**(451,911)**	(638,238)
Annuities and trusts payable	**2,118,788**	2,422,422
Total adjustments	**(7,808,587)**	27,429,632
Net cash (used in) provided by operating activities	**(4,397,523)**	13,459,436
Cash flows from investing activities:		
Advances on related-party receivable	**(2,147,522)**	(102,439)
Payments received on related-party receivable	**2,221,982**	2,952,900
Purchase of investments	**(80,770,695)**	(89,698,356)
Proceeds from disposition of investments	**78,597,358**	75,237,377
Net cash used in investing activities	**(2,098,877)**	(11,610,518)
Cash flows from financing activities:		
Contributions restricted for annuities and trusts	**223,380**	282,911
Contributions restricted for endowments	**4,235,620**	2,858,750
Payments on split-interest obligations	**(1,846,548)**	(1,993,033)
Net cash provided by financing activities	**2,612,452**	1,148,628
(Decrease) increase in cash and cash equivalents	**(3,883,948)**	2,997,546
Cash and cash equivalents:		
Beginning of year	**9,321,106**	6,323,560
End of year	**$ 5,437,158**	$ 9,321,106

See notes to financial statements.

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

Nature of operations: Heifer International Foundation (the Foundation) is a nonprofit organization whose mission is to raise and oversee financial assets to support the work of Heifer Project International (HPI), to educate people on how planned charitable giving supports HPI's work, and to serve as a fiduciary for the Foundation's donors. The Foundation's office is located in Little Rock, Arkansas.

Cash equivalents: The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2023 and 2022, cash equivalents consisted primarily of money market funds. The Foundation occasionally maintains cash balances in excess of federally insured amounts. The Foundation has not experienced any losses in such accounts.

Investments and investment return: Investments are carried at fair value determined by quoted prices or other observable inputs, as available. Donated investments are initially valued at the fair value at time of donation. Investment return includes dividends, interest and other investment income (loss), net of investment management fees; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment income and appreciation on net assets with donor restrictions is generally reported as restricted until these funds are appropriated for expenditure, generally when requested for spending by the ultimate recipient. Investment income and appreciation on donor-restricted endowment funds whose fair value has fallen below the fair value of the original gift are reported as with donor restrictions until such deficiency is eliminated. Other investment return is reflected in the statements of activities as without donor restrictions.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Contributions and bequests receivable: Contributions and bequests receivable are stated at the amount due from donors or other parties. Bequest receivables are reported when the Foundation is named as beneficiary of an insurance policy upon death of the insured. The Foundation provides an allowance for receivables in which collection is doubtful. The allowance is based upon a review of outstanding receivables and specific knowledge of the circumstances surrounding the receivable. An allowance was not deemed necessary as of June 30, 2023 and 2022. As most contributions receivable consist of bequests, amounts due to the Foundation are paid upon settlement of the estate. Receivables are written off based on the specific circumstances of the related receivable.

Related-party receivables and payables: Related-party receivables are stated at the amount due from related or other parties. HPI holds a $7.5 million line of credit with the Foundation for HPI's impact investing program. Draws on the impact loan as discussed in Note 7 are recorded as paid and interest is recorded as earned. HPI drew $2,147,522 and $102,439 on the impact loan during the years ended June 30, 2023 and 2022, respectively. The line of credit has an interest rate of 3% and interest payments on the draw are due monthly. The outstanding balance on this line of credit was $2,613,607 and $2,688,067 as of June 30, 2023 and 2022, respectively. The Foundation's Board of Trustees has also agreed to make available up to $8 million or 10% of endowment assets, whichever is greater, as a line of credit to HPI. HPI made no draws under this line of credit during the years ended June 30, 2023 and 2022, and the outstanding balance was $0 at June 30, 2023 and 2022.

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

Basis of presentation: The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Foundation presents its financial statements based on Accounting Standards Codification (ASC) 958, Presentation of Financial Statement of Not-for-Profit Entities.

Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions**:** Net assets are classified as without donor restrictions if they are not subject to donor-imposed stipulations and are available to support the operations of the Foundation.

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 Foundation's Board has designated them to be used for programs in certain countries.

Net assets with donor restrictions**:** Net assets with donor restrictions include gifts and investment income and gains that can be expended but for which restrictions have not been met. Those restrictions include time and purpose restrictions imposed by donors, those whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation, and restrictions imposed by law that restrict net investment income and gains until appropriated for expenditure.

Contributions: Gifts of cash and other assets are classified and reported in the appropriate restriction category based upon the existence or absence of donor restrictions.

Spending policy: The Foundation's spending is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which was approved by the Uniform Law Commission to serve as a guideline for states to use in enacting legislation. The state of Arkansas has enacted UPMIFA, which requires nonprofit foundations with donor-restricted endowed funds to follow certain standards when making investment and spending policy decisions.

Income tax status: The Foundation is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Uncertain tax positions, if any, are recorded in accordance with ASC 740, Income Taxes, which requires the recognition of a liability for tax positions taken that do not meet the more likely than not standard that the position will be sustained upon examination by the taxing authorities. There is no liability for uncertain tax positions recorded at June 30, 2023 or 2022.

Forms 990 filed by the Foundation are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return.

Fair value of financial instruments: The estimated fair values of the Foundation's short-term financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization. The Foundation's estimate of the fair value of investments and split-interest agreement liabilities is further described in Note 3.

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

Functional allocation of expenses: The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program services and management and general categories based on time studies and other methods. Refer to Note 10 expenses by functional classification for the years ended June 30, 2023 and 2022.

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Fundraising costs: Fundraising costs are expensed as incurred. There were no fundraising costs for the years ended June 30, 2023 and 2022.

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:

Split-interest obligations: The Foundation has entered into a number of split-interest obligations that require estimation of the liability (recorded in annuities payable and trusts payable on the statements of financial position). The methods used in estimating these liabilities are discussed in Note 4. Events could occur that would materially change this estimated liability in the near term.

Investments: The Foundation has significant investments in securities, which are subject to price fluctuations. This risk is mitigated through a diversified portfolio and regular monitoring procedures.

Leases: In February 2016, the Financial Accounting Standards Board (FASB) issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Foundation adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Foundation has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Foundation's historical accounting treatment under ASC Topic 840, Leases.

The Foundation elected the package of practical expedients under the transition guidance within Topic 842, in which the Foundation does not reassess: (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases or (3) the initial direct costs for any existing leases. The Foundation has not elected to adopt the hindsight practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

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

The Foundation 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 Foundation 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 Foundation also considers whether its service arrangements include the right to control the use of an asset.

The Foundation has implemented Topic 842 for the year ended June 30, 2023. For the year ended June 30, 2023, the impact to the financial statements is clearly trivial and, therefore, there are no ROU assets or lease liabilities recorded on the statement of financial position.

Recent accounting pronouncement: In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of adopting this new guidance on its financial statements.

Subsequent events: The Foundation has evaluated subsequent events through October 18, 2023, the date the financial statements were issued.

Note 2. Liquidity and Availability

The Foundation regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. As of June 30, 2023 and 2022, the following financial assets are available to meet operating needs within one year of the statement of financial position date:

	2023	2022
Financial assets at year-end:		
Cash and cash equivalents	$ 5,437,158	$ 9,321,106
Contributions and bequests receivable	409,033	508,344
Related-party receivables	2,613,607	2,688,067
Prepaid expenses and other assets	183,501	176,918
Investments	197,370,103	190,065,312
Total financial assets	206,013,402	202,759,747
Less amounts not available to be used within one year:		
Contributions and bequests receivable	409,033	508,344
Related-party receivable less current portion	2,613,607	2,688,067
Prepaid expenses and other assets	183,501	176,918
Total nonfinancial assets	3,206,141	3,373,329
Less contractual or donor-imposed restrictions:		
Contractual alternative investments	50,401,406	51,280,356
Treasury securities being held for annuity obligations	3,219,066	3,254,603
Corporate bonds being held for annuity obligations	1,965,261	1,928,942
Total contractual or donor-imposed restrictions	55,585,733	56,463,901
Less board-designated funds not authorized for expenditure within one year:		
Board-designated for endowment	35,807,532	34,513,621
Financial assets not available to be used within one year	94,599,406	94,350,851
Financial assets available to meet general expenditures within one year	$ 111,413,996	$ 108,408,896

The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments. See Note 3 for information about the Foundation’s investments.

Note 3. Fair Value of Financial Instruments

Fair value measurements: The Foundation accounts for financial instruments using the standards included in ASC 820, Fair Value Measurements and Disclosures. This topic provides a framework for measuring fair value under U.S. GAAP and applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods, including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Valuations for assets and liabilities are traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes United States agency securities, municipal bonds and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities are traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations for assets and liabilities are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the years ended June 30, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investment securities: The fair value of investment securities is the market value based on quoted market prices when available, or market prices provided by recognized broker-dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument. For the years ended June 30, 2023 and 2022, securities held by the Foundation are classified as Level 1.

Alternative investments: The fair value of alternative investments is measured at net asset value (NAV) using the practical expedient.

Note 3. Fair Value of Financial Instruments (Continued)

Annuities and trusts payable: The fair value of annuities and trusts payable is at respective present values, based on the life expectancies of any live beneficiaries. The annuities payable has been determined using mortality tables and the applicable federal rate in effect at the time the contribution was made. The applicable federal rates range from 0.60% to 9.60%. The present value of the estimated future payments related to the trusts payable is calculated using the applicable IRS section 752 federal interest rate in effect at the time of the contribution and applicable mortality tables. The IRS section 752 federal interest rates range from 1.00% to 11.60%.

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2023				
	Level 1	Level 2	Level 3	Investments Valued at Net Asset Value	Total
Investment:					
Common stock:					
Small cap	$ 8,628,120	$ -	$ -	$ -	$ 8,628,120
Mid cap	17,098,334	-	-	-	17,098,334
Large cap	36,354,462	-	-	-	36,354,462
Emerging market equities	12,591,654	-	-	-	12,591,654
European equities	19,630,557	-	-	-	19,630,557
International equities other	8,122,791	-	-	-	8,122,791
U.S. equity other	903,606	-	-	-	903,606
Mutual funds	18,402,216	-	-	-	18,402,216
Treasury security	14,769,339	-	-	-	14,769,339
Corporate bonds	10,467,618	-	-	-	10,467,618
Alternative investments:					
Limited partnerships	-	-	-	50,342,625	50,342,625
Limited liability companies	-	-	-	58,781	58,781
Total investments	$ 146,968,697	$ -	$ -	$ 50,401,406	$ 197,370,103
Annuities payable	$ -	$ -	$ 4,070,457	$ -	$ 4,070,457
Trusts payable	$ -	$ -	$ 10,663,426	$ -	$ 10,663,426

Note 3. Fair Value of Financial Instruments (Continued)

	June 30, 2022				
	Level 1	Level 2	Level 3	Investments Valued at Net Asset Value	Total
Investment:					
Common stock:					
Small cap	$ 6,957,316	$ -	$ -	$ -	$ 6,957,316
Mid cap	14,857,939	-	-	-	14,857,939
Large cap	38,424,865	-	-	-	38,424,865
Emerging market equities	11,301,436	-	-	-	11,301,436
European equities	18,006,357	-	-	-	18,006,357
International equities other	7,369,331	-	-	-	7,369,331
U.S. equity other	165,537	-	-	-	165,537
Mutual funds	14,523,711	-	-	-	14,523,711
Treasury security	19,742,136	-	-	-	19,742,136
Corporate bonds	7,436,328	-	-	-	7,436,328
Alternative investments:					
Limited partnerships	-	-	-	44,613,298	44,613,298
Limited liability companies	-	-	-	6,034,408	6,034,408
Private limited company	-	-	-	632,650	632,650
Total investments	$ 138,784,956	$ -	$ -	$ 51,280,356	$ 190,065,312
Annuities payable	$ -	$ -	$ 4,214,108	$ -	$ 4,214,108
Trusts payable	$ -	$ -	$ 10,295,715	$ -	$ 10,295,715

There were no transfers of Level 3 liabilities during the years ended June 30, 2023 and 2022. The changes in Level 3 liabilities measured at fair value on a recurring basis as of June 30, 2023, are summarized as follows:

	Annuities Payable	Trusts Payable
Balance, July 1, 2022	$ 4,214,108	$ 10,295,715
Gifts	60,877	65,640
Sales/distributions	(506,783)	(1,339,765)
Realized and unrealized gains	302,255	1,641,836
Balance, June 30, 2023	$ 4,070,457	$ 10,663,426

Note 3. Fair Value of Financial Instruments (Continued)

The changes in Level 3 liabilities measured at fair value on a recurring basis as of June 30, 2022, are summarized as follows:

	Annuities Payable	Trusts Payable
Balance, July 1, 2021	$ 4,499,594	$ 12,876,406
Gifts	94,413	118,469
Sales/distributions	(566,800)	(1,426,233)
Realized and unrealized gains (losses)	186,901	(1,272,927)
Balance, June 30, 2022	$ 4,214,108	$ 10,295,715

The following table sets forth additional disclosures of the Foundation's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2023 and 2022:

Investment	Fair Value at June 30 2023	Fair Value at June 30 2022	Unfunded Commitment at June 30, 2023	Redemption Frequency	Redemption Notice Period
Limited partnerships (A):					
Molpus Woodlands Fund III LP	$ -	$ 5,214,056	$ -	N/A	N/A
HarbourVest Partners Fund IX LP	4,141,346	5,335,498	610,000	N/A	N/A
Edgewater Private Equity Fund III, LP	-	128,976	-	N/A	N/A
Accion Frontier Inclusion Fund, LP	2,337,848	2,988,792	5,545	N/A	N/A
WaterCredit Investment Fund 3, LP	1,152,768	1,182,425	-	N/A	N/A
JPMorgan Infrastructure	3,232,878	3,031,706	-	N/A	N/A
Accion Venture Lab	959,636	1,041,034	84,966	N/A	N/A
KKR Global Impact	3,377,573	3,355,069	636,882	N/A	N/A
JLL Income Property Trust CL M-I	9,225,088	9,884,422	-	N/A	N/A
SOAR	2,026,864	943,556	158,712	N/A	N/A
Bridge Workforce Housing Fund	2,003,379	2,169,810	1,332,402	N/A	N/A
Intercontinental REIF	6,004,724	6,585,479	-	N/A	N/A
AIP	11,466,371	2,752,475	37,470,523	N/A	N/A
Limited liability company (B):					
Alwin LLC	58,781	23,185	-	N/A	N/A
Legacy Venture VII LLC	4,414,150	6,011,223	-	N/A	N/A
Private limited company (C):					
SIMA Off-Grid Solar and Financial Access Senior Debt Fund I, B.V.	-	632,650	-	N/A	N/A
	$ 50,401,406	$ 51,280,356	$ 40,299,030		

(A) These limited partnerships have different investment objectives.

(B) Legacy Venture VII LLC invests in a select group of top venture capital funds that in turn invest in promising companies, and Alwin LLC was formed for the purposes of owning, operating and developing real property.

Note 3. Fair Value of Financial Instruments (Continued)

(C) SIMA Off-Grid Solar and Financial Access Senior Debt Fund I, B.V., a private limited company incorporation under the laws of the Netherlands, focuses on integrating social and financial returns.

In connection with the alternative investments noted above, the Foundation is obligated under the investment contracts to advance funding up to contractual levels, upon call by the general partner. The remaining commitments to be funded, which include commitments to unfunded partnerships, were $40,299,030 and $51,886,824 at June 30, 2023 and 2022, respectively.

Note 4. Annuities and Trusts Payable

The Foundation has been the recipient of gift annuities that require future payments to the donor or their named beneficiaries. The contributed assets received from the donor are recorded at fair value. The Foundation had a liability at June 30, 2023 and 2022, of $4,070,457 and $4,214,108, respectively, which represents the present value of the estimated future annuity obligations. The liability has been determined using mortality tables and the applicable federal rate in effect at the time the contribution was made. In accordance with state regulations regarding annuities, the Foundation maintains an annuity reserve to ensure assets are available to meet annuity obligations. Assets of the annuity reserve are included in cash and cash equivalents, interest receivable (included in prepaid expenses and other assets on the statement of financial position), and investments on the statements of financial position as of June 30, 2023 and 2022, for a total reserve balance of approximately $6,701,000 and $6,767,000, respectively.

The Foundation administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the designated beneficiary's lifetime or a stated term. At the end of the trust's term, a portion or all of the remaining assets are available for the Foundation's use based upon the donor's designation at the time of the establishment of the trust. The portion of the trust attributable to the future interest of the Foundation is recorded in the statements of activities as contributions with donor restrictions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the Foundation's statements of financial position. On an annual basis, the Foundation revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using the applicable IRS section 752 federal interest rate in effect at the time of the contribution and applicable mortality tables. At June 30, 2023 and 2022, the Foundation had recorded $10,663,426 and $10,295,715, respectively, in trust liabilities due to the beneficiaries for the remainder of the stated or expected term of the trust.

In addition, the Foundation calculates the liability for any portion of the remaining assets of the trust or annuity's term that is due to other organizations. This liability is recorded by the Foundation as refundable advances. The portion of refundable advances related to trust and annuity agreements was approximately $2,749,725 and $3,292,000 as of June 30, 2023 and 2022, respectively. The remaining balance in refundable advances on the accompanying statements of financial position relates to interest-free loans, agency funds and advised gift funds.

Note 5. Net Assets

Net assets with donor restrictions: Net assets with donor restrictions at June 30 are available for the following purposes:

	2023	2022
Net assets with donor restrictions of which the income is expendable to support any activity of the Foundation or HPI	$ 93,113,332	$ 88,764,650
Countries and international programs	34,315,689	36,035,240
Country matching	3,410,642	3,709,921
HPI ranch and farm operations	670,572	675,959
Animals	1,821,646	1,880,502
Training	287,847	298,948
Education	751,177	780,533
Women in livestock development program	811,776	841,841
Other	2,355,318	2,250,638
Endowment earnings - time restricted	8,325,785	10,071,102
Total	$ 145,863,784	$ 145,309,334

Net assets released from restrictions: Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes or by occurrence of other events specified by donors for the years ended June 30:

	2023	2022
Purpose restrictions accomplished:		
Countries and international programs	$ 1,629,226	$ 1,520,868
Country matching	169,787	154,681
HPI ranch and farm operations	19,466	17,786
Animals	95,934	87,753
Training	15,349	14,003
Education	39,959	36,366
Women in livestock development program	42,130	38,812
Other	97,736	69,386
Endowment earnings - time restricted	3,553,100	3,189,044
Time-restricted	-	14,500,000
Total	$ 5,662,687	$ 19,628,699

Note 6. Investment Return (Losses)

Total investment return (losses), net for the years ended June 30, 2023 and 2022, is composed of the following:

	2023	2022
Interest and dividend income	$ 3,152,802	$ 2,656,665
Net realized and unrealized returns (losses) on investments reported at fair value	5,049,026	(17,150,880)
Investment management fee	(1,088,074)	(1,362,536)
	$ 7,113,754	$ (15,856,751)

Note 7. Related – Party Transactions

The Foundation and HPI are financially interrelated organizations. HPI authorizes the Foundation to solicit contributions on its behalf. In the absence of donor restrictions, the Foundation has discretionary control over the amounts and timing of its distributions to HPI.

The Foundation incurs various program-related costs during the year. The most significant of these costs are contributions to HPI. The Foundation's contributions to HPI during the years ended June 30, 2023 and 2022 are reported in the Foundation's financial statements as program services as follows:

	2023	2022
Contributions without donor restrictions	$ 5,855,112	$ 2,878,471
Contributions restricted for:		
Countries and international programs	1,457,579	1,339,727
Education properties operations and maintenance	66,683	37,935
Education and training	22,598	20,617
Country matching	135,831	123,748
Other purposes	76,760	70,137
	$ 7,614,563	$ 4,470,635

The Foundation and HPI both receive contributions in the form of testamentary bequests wherein HPI is named a beneficiary. HPI may at its discretion transfer undesignated bequests where HPI is listed as the beneficiary to the Foundation, unless otherwise restricted by the donor.

In addition, the Foundation has contracted for services from HPI, such as access to certain information systems and support, marketing services, and processing of payroll and accounts payable. The Foundation paid HPI $189,835 and $168,117 for providing these services during the years ended June 30, 2023 and 2022, respectively. In October 2010, the Foundation entered into a lease agreement with HPI, with a term of three years and options to extend for up to an additional four years. The lease was amended in April 2017 to extend the term an additional five years, ending in December 2023. In accordance with the lease agreement, the Foundation paid $36,193 in rent expense for each of the years ended June 30, 2023 and 2022.

Note 7. Related – Party Transactions (Continued)

The Foundation's Board of Trustees has agreed to make available up to $8 million or 10% of endowment assets, whichever is greater, as a line of credit to HPI as of June 30, 2023 and 2022. The amount available as a line of credit to HPI as of June 30, 2023 and 2022, was $18.0 million and $17.7 million, respectively. Draws against the line accrue interest at an agreed-upon interest rate no greater than prime as set by Regions Bank. During the years ended June 30, 2023 and 2022, HPI made no draws under this line of credit agreement and, therefore, paid no interest to the Foundation.

In 2018, the Foundation's Board of Trustees approved an additional line of credit to HPI, which is only available for use with their impact investing program. The Foundation has agreed to make up to $7.5 million available. Draws against the line accrue interest at 3%. Under the line of credit for impact investing, HPI drew $2,147,521 and $102,439 during the years ended June 30, 2023 and 2022, respectively. HPI made repayments of $2,221,982 and $0 during the years ended June 30, 2023 and 2022, respectively. HPI paid the Foundation interest of $157,367 and $78,210 during the years ended June 30, 2023 and 2022, respectively. Interest income is recorded in investment gains on the statement of activities. As of June 30, 2023 and 2022, the outstanding balance on this line of credit was $2,613,607 and $2,688,067, respectively.

In 2018, the Foundation, as lender, entered into a promissory note agreement with HPI, as borrower. The interest rate was fixed at 3.50% and the note was repaid in full during 2022.

Note 8. Retirement Plans

The Foundation sponsors a defined contribution retirement plan (the Plan) that covers substantially all employees of the Foundation. The employer contributions to the Plan are discretionary. The Foundation contributed $67,144 and $39,223 to the Plan for the years ended June 30, 2023 and 2022, respectively.

Note 9. Endowments

The Foundation accounts for endowments using the standards included in the Not-for-Profit Entities topic of the ASC, as well as UPMIFA.

As of June 30, 2023 and 2022, the Foundation administers approximately 1,000 endowments, most of which are donor-restricted endowment funds, and the remainder are funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law: The Board of Trustees of the Foundation has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as restricted by time or purpose until those amounts are appropriated for expenditure by the Board of Trustees of the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Note 9. Endowments (Continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment and spending policies of the Foundation

Endowment net asset composition by type of fund as of June 30, 2023, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds and related earnings	$ -	$ 143,827,173	$ 143,827,173
Board-designated endowment funds and related earnings	35,807,532	-	35,807,532
Total endowment	$ 35,807,532	$ 143,827,173	$ 179,634,705

Changes in endowment net assets for the year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 34,513,621	$ 142,038,597	$ 176,552,218
Investment return	3,814,765	2,995,143	6,809,908
Contributions	-	4,456,120	4,456,120
Current-year board designations	1,320,245	-	1,320,245
Appropriations of endowment assets for expenditures	(3,841,099)	(5,662,687)	(9,503,786)
Endowment net assets, end of year	$ 35,807,532	$ 143,827,173	$ 179,634,705

Note 9. Endowments (Continued)

Endowment net asset composition by type of fund as of June 30, 2022, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds and related earnings	$ -	$ 142,038,597	$ 142,038,597
Board-designated endowment funds and related earnings	34,513,621	-	34,513,621
Total endowment	$ 34,513,621	$ 142,038,597	$ 176,552,218

Changes in endowment net assets for the year ended June 30, 2022, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 21,352,841	$ 164,700,370	$ 186,053,211
Investment loss	(1,968,147)	(9,964,309)	(11,932,456)
Contributions	-	6,931,235	6,931,235
Current-year board designations	1,726,757	-	1,726,757
Appropriations of endowment assets for expenditures	(1,097,830)	(5,128,699)	(6,226,529)
Release from restriction	14,500,000	(14,500,000)	-
Endowment net assets, end of year	$ 34,513,621	$ 142,038,597	$ 176,552,218

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reflected in net assets with donor restrictions were $182,336 and $249,406 as of June 30, 2023 and 2022, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred in previous years.

Risk objectives and risk parameters: The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of attributed earnings to HPI and to support the current and future operations of the Foundation. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an average annual return, net of investment manager fees and after inflation, which will grow the investment over a reasonable time period and preserve the purchasing power of the assets. Actual returns in any given year may vary from this objective.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 9. Endowments (Continued)

Spending policy and how the investment objectives relate to spending policy: The Foundation has a policy of making available for appropriation 5% of the average market value of the income-producing assets in restricted-use endowments. Of the 5% made available for appropriation from restricted-use endowments, 1% was made available to fund the Foundation's operating budget and the remaining 4% was made available for distribution to HPI for the years ended June 30, 2023 and 2022. Average market value is calculated based on the market value as of the three preceding calendar year-ends. Additionally, the Foundation funded its operating budget for the years ended June 30, 2023 and 2022, with no more than 1.31% and 1.57%, respectively, of the three-year rolling average of the calendar year-end market value of undesignated endowment funds. Further, the Foundation made available 3.69% and 3.43% for distribution to HPI for the years ended June 30, 2023 and 2022, respectively, from undesignated endowment funds. In establishing this policy, the Foundation considered the long-term expected return and goals of the endowment. This policy can be revised at the discretion of the Board of Trustees.

Note 10. Functional Expense Classification

The Not-for-Profit Entities topic of the ASC requires nonprofit organizations to disclose expenses by functional classification. The Foundation allocates expenses to the functional categories based on time studies and other methods. Expenses by functional classification for the year ended June 30, 2023, are as follows:

	Program Services	Management and General	Total Expenses
Salaries and wages	$ 40,424	$ 873,356	$ 913,780
Employee benefits	8,760	223,396	232,156
Total salaries, wages and related expenses	49,184	1,096,752	1,145,936
Disbursements to HPI	7,614,563	-	7,614,563
Supplies, printing and promotion	804	84,343	85,147
Travel, conference and meetings	8,452	179,241	187,693
Professional and consulting	7,176	247,884	255,060
Equipment rental and maintenance	87	2,300	2,387
Occupancy costs	1,316	34,877	36,193
Facility costs	269	5,529	5,798
Support and other services	1,798	141,458	143,256
Personnel expenses	805	50,690	51,495
Depreciation expenses	94	2,493	2,587
Total	$ 7,684,548	$ 1,845,567	$ 9,530,115

Note 10. Functional Expense Classification (Continued)

Expenses by functional classification for the year ended June 30, 2022, are as follows:

	Program Services	Management and General	Total Expenses
Salaries and wages	$ 26,365	$ 901,568	$ 927,933
Employee benefits	5,421	214,726	220,147
Total salaries, wages and related expenses	31,786	1,116,294	1,148,080
Disbursements to HPI	4,470,635	-	4,470,635
Supplies, printing and promotion	2,737	127,526	130,263
Travel, conference and meetings	126	66,531	66,657
Professional and consulting	7,175	241,903	249,078
Equipment rental and maintenance	-	7,078	7,078
Occupancy costs	-	36,193	36,193
Facility costs	83	4,868	4,951
Support and other services	5,790	139,037	144,827
Personnel expenses	6	17,104	17,110
Depreciation expenses	-	2,557	2,557
Total	$ 4,518,338	$ 1,759,091	$ 6,277,429

Heifer International Foundation

Supplementary Schedules of Annuity Reserve Assets

The following disclosures were made in accordance with the disclosure requirements of the Arkansas Code of 1987 Annotated Official Edition 23-63-201. At June 30, 2023, the Foundation's charitable gift annuities were composed of the following:

The annuity reserve assets included the following:	
Money market funds	$ 82,877
U.S. Treasury securities	3,219,152
Corporate bonds	1,965,261
Mutual funds	1,316,679
Municipal bonds	83,716
Annuity reserve assets	6,667,685
Annuities payable	(4,070,457)
Annuity surplus	$ 2,597,228

At June 30, 2022, the Foundation's charitable gift annuities were composed of the following:

The annuity reserve assets included the following:	
Money market funds	$ 83,947
U.S. Treasury securities	3,269,085
Corporate bonds	1,946,823
Mutual funds	1,380,133
Municipal bonds	87,251
Annuity reserve assets	6,767,239
Annuities payable	(4,214,108)
Annuity surplus	$ 2,553,131

The Foundation has elected the reserve valuation method for establishing its annuity reserves.