

Heifer International Foundation

Financial Report
June 30, 2025

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Independent Auditor's Report

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, 2025 and 2024, 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 the Foundation 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 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 23, 2025

Heifer International Foundation

Statements of Financial Position June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 5,328,504	\$ 3,600,164
Contributions and bequests receivable	877,835	236,429
Related-party receivables	3,038,870	4,540,183
Prepaid expenses and other assets	227,842	256,597
Property, plant and equipment	18,766	25,852
Right-of-use asset	624,429	-
Investments	216,059,523	207,372,799
Total assets	\$ 226,175,769	\$ 216,032,024
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,570,352	\$ 1,017,099
Lease liabilities	626,969	-
Annuities payable	3,593,090	3,814,231
Trusts payable	11,070,088	10,720,558
Refundable advances	5,011,983	4,536,526
Total liabilities	21,872,482	20,088,414
Net assets:		
Without donor restrictions:		
Board-designated	42,080,549	39,796,361
Undesignated	1,636,934	43,860
Total net assets without donor restrictions	43,717,483	39,840,221
With donor restrictions	160,585,804	156,103,389
Net assets	204,303,287	195,943,610
Total liabilities and net assets	\$ 226,175,769	\$ 216,032,024

See notes to financial statements.

Heifer International Foundation

Statement of Activities Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions:			
General	\$ 1,428,622	\$ 1,271,493	\$ 2,700,115
Annuities and trusts	-	209,664	209,664
Investment gains, net	6,490,229	7,283,348	13,773,577
Change in split-interest obligations	-	(303,115)	(303,115)
Net assets released from restrictions	3,978,975	(3,978,975)	-
Total revenue, gains and other support	11,897,826	4,482,415	16,380,241
Expenses:			
Program services	5,407,054	-	5,407,054
Management and general	2,613,510	-	2,613,510
Total expenses	8,020,564	-	8,020,564
Change in net assets	3,877,262	4,482,415	8,359,677
Net assets, beginning of year	39,840,221	156,103,389	195,943,610
Net assets, end of year	<u>\$ 43,717,483</u>	<u>\$ 160,585,804</u>	<u>\$ 204,303,287</u>

See notes to financial statements.

Heifer International Foundation

Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:			
Contributions:			
General	\$ 2,055,467	\$ 50,788	\$ 2,106,255
Annuities and trusts	-	109,405	109,405
Investment gains, net	477,633	14,674,886	15,152,519
Change in split-interest obligations	-	1,555	1,555
Net assets released from restrictions	4,597,029	(4,597,029)	-
Total revenue, gains and other support	7,130,129	10,239,605	17,369,734
Expenses:			
Program services	5,475,697	-	5,475,697
Management and general	2,420,638	-	2,420,638
Total expenses	7,896,335	-	7,896,335
Change in net assets	(766,206)	10,239,605	9,473,399
Net assets, beginning of year	40,606,427	145,863,784	186,470,211
Net assets, end of year	<u>\$ 39,840,221</u>	<u>\$ 156,103,389</u>	<u>\$ 195,943,610</u>

See notes to financial statements.

Heifer International Foundation

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

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 8,359,677	\$ 9,473,399
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	7,086	5,268
Net realized and unrealized gain on investment portfolio	(12,615,359)	(13,335,253)
Change in value of split-interest obligations	303,115	(1,555)
Contributions of investments	(110,585)	(28,534)
Contributions received restricted for long-term investment	(1,481,157)	(160,193)
Changes in operating assets and liabilities:		
Contributions and bequests receivable	(641,406)	172,604
Prepaid expenses and other assets	28,755	(73,096)
Accounts payable and accrued liabilities	553,253	724,029
Operating lease payments	(24,668)	-
Change in right-of-use asset and lease liability	27,208	-
Refundable advances	475,457	20,288
Annuities and trusts payable	1,628,628	1,505,282
Net cash used in operating activities	(3,489,996)	(1,697,761)
Cash flows from investing activities:		
Advances on related-party receivable	-	(1,998,551)
Payments received on related-party receivable	1,501,313	71,975
Purchase of investments	(85,280,418)	(59,247,608)
Proceeds from disposition of investments	89,319,638	62,608,699
Purchase of property and equipment	-	(31,120)
Net cash provided by investing activities	5,540,533	1,403,395
Cash flows from financing activities:		
Contributions restricted for annuities and trusts	209,664	109,405
Contributions restricted for endowments	1,271,493	50,788
Payments on split-interest obligations	(1,803,354)	(1,702,821)
Net cash used in financing activities	(322,197)	(1,542,628)
Increase (decrease) in cash and cash equivalents	1,728,340	(1,836,994)
Cash and cash equivalents:		
Beginning of year	3,600,164	5,437,158
End of year	\$ 5,328,504	\$ 3,600,164
Supplemental information:		
Disclosure of noncash investing and financing activities:		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 646,386	\$ -

See notes to financial statements.

Heifer International Foundation

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). The Foundation educates individuals on how charitable planned 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 and cash equivalents: For the purposes of reporting the statements of cash flows, the Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2025 and 2024, 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. The Foundation's policy is to sell any donated investments upon receipt. 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 recorded when the Foundation is named as beneficiary of an estate upon death of the donor. 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, 2025 and 2024. 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 and payables are stated at the amount due to or due from related parties. The Foundation has made two different lines of credit available to HPI as discussed in Note 7. Transactions related to the lines of credit are recorded when they occur and interest is recorded when earned.

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.

Heifer International Foundation

Notes to Financial Statements

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

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 HPI programs to address hunger and poverty in certain geographies or thematic areas.

Net assets with donor restrictions: Net assets with donor restrictions consists of contributions, investment income, and related gains that are subject to donor-imposed restrictions. These restrictions may be temporary in nature, such as those that will be met by the passage of time or the fulfillment of a specified purpose, or perpetual in nature, such as those that neither expire with the passage of time nor can be removed by the actions of the Foundation. In addition, certain restrictions are imposed by law, which limit the use of 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 in 2006 to serve as a guideline for states to use in enacting legislation. The state of Arkansas has enacted UPMIFA in 2009, 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, 2025 or 2024.

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.

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 11 expenses by functional classification for the years ended June 30, 2025 and 2024.

Heifer International Foundation

Notes to Financial Statements

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

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, 2025 and 2024.

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: 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 accounts for leases under FASB Topic 842, Leases. The Foundation elected not to record right-of-use (ROU) assets and corresponding liabilities for short-term leases with a lease term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on present value of future lease payments. The Foundation made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

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.

Subsequent events: The Foundation has evaluated subsequent events through October 23, 2025, the date the financial statements were issued.

Heifer International Foundation

Notes to Financial Statements

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, 2025 and 2024, the following financial assets are available to meet operating needs within one year of the statements of financial position date:

	2025	2024
Financial assets at year-end:		
Cash and cash equivalents	\$ 5,328,504	\$ 3,600,164
Contributions and bequests receivable	877,835	236,429
Related-party receivables	3,038,870	4,540,183
Prepaid expenses, other assets and right-of-use asset	852,271	256,597
Property, plant and equipment	18,766	25,852
Investments	216,059,523	207,372,799
Total financial assets	<u>226,175,769</u>	<u>216,032,024</u>
Less amounts not available to be used within one year:		
Contributions and bequests receivable	877,835	236,429
Related-party receivable less current portion	-	4,540,183
Prepaid expenses, other assets, and right-of-use asset	852,271	256,597
Property, plant and equipment	18,766	25,852
Amounts not available to be used in one year	<u>1,748,872</u>	<u>5,059,061</u>
Less contractual or donor-imposed restrictions:		
Contractual alternative investments	58,026,475	51,337,813
Additional restricted gifts	69,837,859	74,182,287
Treasury securities being held for annuity obligations	2,999,959	3,369,685
Corporate bonds being held for annuity obligations	2,925,875	1,747,404
Municipal bonds being held for annuity obligations	1,256,066	-
Total contractual or donor-imposed restrictions	<u>135,046,234</u>	<u>130,637,189</u>
Less board-designated funds not authorized for expenditure within one year:		
Board-designated for endowment	42,080,549	39,796,361
Financial assets not available to be used within one year	<u>178,875,655</u>	<u>175,492,611</u>
Financial assets available to meet general expenditures within one year	<u>\$ 47,300,114</u>	<u>\$ 40,539,413</u>

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.

Heifer International Foundation

Notes to Financial Statements

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, 2025 and 2024, 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, 2025 and 2024, 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.

Heifer International Foundation

Notes to Financial Statements

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 0.40% to 11.00%. 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 1.80% to 11.60%.

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of June 30, 2025 and 2024, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

June 30, 2025					
	Level 1	Level 2	Level 3	Investments Valued at Net Asset Value	Total
Investment:					
Common stock:					
Small cap	\$ 11,558,073	\$ -	\$ -	\$ -	\$ 11,558,073
Mid cap	15,584,540	-	-	-	15,584,540
Large cap	36,182,480	-	-	-	36,182,480
Emerging market equities	15,711,018	-	-	-	15,711,018
European equities	24,639,183	-	-	-	24,639,183
International equities other	10,313,819	-	-	-	10,313,819
U.S. equity other	471,373	-	-	-	471,373
Mutual funds	18,450,877	-	-	-	18,450,877
Treasury security	12,519,522	-	-	-	12,519,522
Corporate bonds	8,615,710	-	-	-	8,615,710
Municipal bonds	3,986,453	-	-	-	3,986,453
Alternative investments:					
Private real estate	-	-	-	12,137,486	12,137,486
Private credit	-	-	-	6,813,674	6,813,674
Private equity/venture capital	-	-	-	39,075,315	39,075,315
Total investments	<u>\$ 158,033,048</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,026,475</u>	<u>\$ 216,059,523</u>
Annuities payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,593,090</u>	<u>\$ -</u>	<u>\$ 3,593,090</u>
Trusts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,070,088</u>	<u>\$ -</u>	<u>\$ 11,070,088</u>

Heifer International Foundation

Notes to Financial Statements

Note 3. Fair Value of Financial Instruments (Continued)

June 30, 2024					
	Level 1	Level 2	Level 3	Investments Valued at Net Asset Value	Total
Investment:					
Common stock:					
Small cap	\$ 11,017,037	\$ -	\$ -	\$ -	\$ 11,017,037
Mid cap	16,598,305	-	-	-	16,598,305
Large cap	39,602,506	-	-	-	39,602,506
Emerging market equities	13,686,426	-	-	-	13,686,426
European equities	23,100,626	-	-	-	23,100,626
International equities other	8,922,353	-	-	-	8,922,353
U.S. equity other	419,073	-	-	-	419,073
Mutual funds	16,739,484	-	-	-	16,739,484
Treasury security	18,603,205	-	-	-	18,603,205
Corporate bonds	7,345,971	-	-	-	7,345,971
Alternative investments:					
Private real estate				16,248,669	16,248,669
Private credit	-	-	-	2,397,915	2,397,915
Private equity/venture capital	-	-	-	32,691,229	32,691,229
Total investments	<u>\$ 156,034,986</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,337,813</u>	<u>\$ 207,372,799</u>
Annuities payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,814,231</u>	<u>\$ -</u>	<u>\$ 3,814,231</u>
Trusts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,720,558</u>	<u>\$ -</u>	<u>\$ 10,720,558</u>

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy at the end of the reporting period in which the events or changes in circumstances causing the transfer occur. There were no transfers between Level 1, Level 2, or Level 3 investments during the years ended June 30, 2025 and 2024. The changes in Level 3 liabilities measured at fair value on a recurring basis as of June 30, 2025, are summarized as follows:

	Annuities Payable	Trusts Payable
Balance, July 1, 2024	\$ 3,814,231	\$ 10,720,558
Gifts	90,100	33,199
Sales/distributions	(435,468)	(1,367,886)
Realized and unrealized gains	124,227	1,684,217
Balance, June 30, 2025	<u>\$ 3,593,090</u>	<u>\$ 11,070,088</u>

Heifer International Foundation

Notes to Financial Statements

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, 2024, are summarized as follows:

	Annuities Payable	Trusts Payable
Balance, July 1, 2023	\$ 4,070,457	\$ 10,663,426
Gifts	65,927	29,388
Sales/distributions	(479,875)	(1,222,946)
Realized and unrealized gains	157,722	1,250,690
Balance, June 30, 2024	<u>\$ 3,814,231</u>	<u>\$ 10,720,558</u>

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, 2025 and 2024:

Investment	Fair Value at June 30		Unfunded Commitment at June 30, 2025	Redemption Frequency	Redemption Notice Period	Nature and Risks
	2025	2024				
Private real estate	\$ 12,137,486	\$ 16,248,669	\$ 337,089	Varies by fund: daily (with quarterly caps), quarterly, or closed-end with no redemption rights	30–90 days where applicable	Invests in U.S. commercial and residential properties, including income-producing and development projects. Subject to real estate market cycles, interest rate sensitivity, and valuation based on appraisals. Redemptions may be limited or suspended.
Private credit	6,813,674	2,397,915	3,158,712	Varies by fund: quarterly (subject to caps) or closed-end with no redemption rights	30–60 days where applicable	Includes opportunistic and direct lending strategies. Funds invest in distressed and high-yield debt as well as privately negotiated loans to middle-market companies. Risks include borrower default, reliance on manager valuation models, and illiquidity for closed-end drawdown vehicles.
Private equity/venture capital	39,075,315	32,691,229	26,139,706	Not redeemable; distributions occur over 7–12 years	N/A	Long-term investments in private companies through buyout, growth equity, venture capital, and fund-of-funds structures. Subject to illiquidity (multi-year lock-ups), valuation uncertainty from unobservable inputs, and concentration risk tied to portfolio company performance.
	<u>\$ 58,026,475</u>	<u>\$ 51,337,813</u>	<u>\$ 29,635,507</u>			

In connection with the alternative investments noted above, the Foundation is obligated under the investment contracts to advance funding up to contractual levels, upon a call by the general partner. The remaining commitments to be funded, which include commitments to unfunded partnerships, were \$29,636,507 and \$36,013,989 at June 30, 2025 and 2024, respectively.

Heifer International Foundation

Notes to Financial Statements

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, 2025 and 2024, of \$3,593,090 and \$3,814,231, 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, 2025 and 2024, for a total reserve balance of approximately \$7,280,000 and \$6,830,000, 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, 2025 and 2024, the Foundation had recorded \$11,070,088 and \$10,720,558, 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 \$3,310,640 and \$2,799,269 as of June 30, 2025 and 2024, 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.

Heifer International Foundation

Notes to Financial Statements

Note 5. Net Assets

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

	2025	2024
Net assets with donor restrictions of which the income is expendable to support any activity of the Foundation or HPI	\$ 93,418,375	\$ 93,622,357
Countries and international programs	35,496,832	34,685,312
Country matching	3,606,010	3,451,714
HPI facility	599,791	691,214
Animals	2,062,053	1,872,161
Training	315,574	294,759
Education	869,771	768,808
Women in livestock development program	1,382,180	830,962
Other	3,003,077	2,543,705
Endowment earnings—time restricted	19,832,141	17,342,397
Total	<u>\$ 160,585,804</u>	<u>\$ 156,103,389</u>

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:

	2025	2024
Purpose restrictions accomplished:		
Countries and international programs	\$ 1,541,811	\$ 1,611,925
Country matching	178,838	174,755
HPI facility	20,124	21,235
Animals	99,737	94,656
Training	8,630	15,409
Education	42,771	40,031
Women in livestock development program	38,136	34,911
Other	116,800	81,820
Endowment earnings—time restricted	1,932,128	2,522,287
Total	<u>\$ 3,978,975</u>	<u>\$ 4,597,029</u>

Note 6. Investment Return

Net investment return for the years ended June 30, 2025 and 2024, is composed of the following:

	2025	2024
Interest and dividend income	\$ 2,551,278	\$ 3,399,524
Net realized and unrealized returns on investments reported at fair value	12,615,359	13,335,253
Investment management fee	(1,393,060)	(1,582,258)
	<u>\$ 13,773,577</u>	<u>\$ 15,152,519</u>

Heifer International Foundation

Notes to Financial Statements

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, 2025 and 2024, are reported in the Foundation's financial statements as program services as follows:

	2025	2024
Contributions without donor restrictions	\$ 3,439,718	\$ 3,433,279
Contributions restricted for:		
Countries and international programs	1,447,139	1,456,868
Education properties operations and maintenance	47,966	41,619
Education and training	15,813	22,614
Country matching	143,070	143,697
Other purposes	75,825	76,367
	<u>\$ 5,169,531</u>	<u>\$ 5,174,444</u>

The Foundation processes contributions in the form of testamentary bequests wherein HPI is named a beneficiary and the Foundation transfers these bequests to HPI monthly. As of June 30, 2025 and 2024, respectively, the Foundation had a payable of \$1,113,750 and \$476,105 to HPI related to testamentary bequests.

The Foundation has contracted services from HPI, such as marketing, information technology support, processing of payroll, and accounts payable. The Foundation paid HPI \$23,810 and \$21,646 for providing these services during the years ended June 30, 2025 and 2024, 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. The lease was extended until June 2024. In June 2024, it was extended through June 2025. A new sub-lease agreement was entered into during March 2025 as discussed in Note 9. In accordance with the lease and sub-lease agreements, the Foundation paid \$50,216 and \$36,193 in rent expense for each of the years ended June 30, 2025 and 2024, respectively.

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. The amount available as a line of credit to HPI as of June 30, 2025 and 2024, was \$20.0 million and \$19.0 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, 2025 and 2024, HPI made no draws under this line of credit agreement and, therefore, paid no interest to the Foundation.

Heifer International Foundation

Notes to Financial Statements

Note 7. Related-Party Transactions (Continued)

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 originally agreed to make up to \$7.5 million available, which was amended to a maximum draw of \$4.5 million in June 2024. Draws against the line accrue interest at 3% per annum and interest is due monthly. Under the line of credit for impact investing, HPI drew \$0 and \$1,998,551 during the years ended June 30, 2025 and 2024, respectively. HPI made repayments of \$1,501,313 and \$71,975 during the years ended June 30, 2025 and 2024, respectively. HPI paid the Foundation interest of \$118,191 and \$110,484 during the years ended June 30, 2025 and 2024, respectively. Interest income is recorded in investment gains on the statements of activities. As of June 30, 2025 and 2024, the outstanding balance on this line of credit was \$3,038,870 and \$4,540,183, respectively.

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 \$97,557 and \$85,649 to the Plan for the years ended June 30, 2025 and 2024, respectively.

Note 9. Leases

As of March 6, 2025, the Foundation sub-leases an office space for a 10-year term from HPI. The lease is an operating lease. The lease is noncancelable and includes an option to renew, at the Foundation's discretion, with renewal terms that can extend the lease term up to 10 years. The Foundation does not believe it to be reasonably certain to exercise a renewal option. The Foundation has not committed to any leases which have not yet commenced.

Operating lease ROU assets and lease liabilities as of June 30, 2025, consisted of the following:

Assets:

Operating lease right-of-use assets	<u>\$ 624,429</u>
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Liabilities:

Operating lease liabilities	<u>\$ 626,969</u>
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The components of lease cost for the year ended June 30, 2025, were as follows:

Operating lease cost	\$ 26,698
Short-term cost	-
Total lease cost	<u>\$ 26,698</u>

Heifer International Foundation

Notes to Financial Statements

Note 9. Leases (Continued)

Supplemental information regarding assumptions and cash flows for the operating leases for the year ended June 30, 2025, are as follows:

Operating cash flows from operating lease	\$ (24,668)
Leased assets obtained in exchange for operating lease liabilities	646,386

The lease term and discount rate for operating lease is as follows:

Weighted-average remaining lease term for operating lease	9.67 years
Weighted-average discount rate for operating lease	4.29%

As of June 30, 2025, maturities of lease liabilities were as follows:

Years ending June 30:	
2026	\$ 74,436
2027	75,732
2028	77,040
2029	78,384
2030	79,764
Thereafter	390,940
Total lease payments	<u>776,296</u>
Less imputed interest	<u>(149,327)</u>
Present value of lease liabilities	<u>\$ 626,969</u>

Note 10. 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, 2025 and 2024, 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.

Heifer International Foundation

Notes to Financial Statements

Note 10. 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, 2025, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds and related earnings	\$ -	\$ 156,289,560	\$ 156,289,560
Board-designated endowment funds and related earnings	42,080,549	-	42,080,549
Total endowment	<u>\$ 42,080,549</u>	<u>\$ 156,289,560</u>	<u>\$ 198,370,109</u>

Changes in endowment net assets for the year ended June 30, 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 39,796,361	\$ 149,936,043	\$ 189,732,404
Investment return	4,890,807	8,245,702	13,136,509
Contributions	-	2,086,790	2,086,790
Current-year board designations	1,428,622	-	1,428,622
Appropriations of endowment assets for expenditures	(4,035,241)	(3,978,975)	(8,014,216)
Endowment net assets, end of year	<u>\$ 42,080,549</u>	<u>\$ 156,289,560</u>	<u>\$ 198,370,109</u>

Heifer International Foundation

Notes to Financial Statements

Note 10. Endowments (Continued)

Endowment net asset composition by type of fund as of June 30, 2024, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds and related earnings	\$ -	\$ 149,936,043	\$ 149,936,043
Board-designated endowment funds and related earnings	39,796,361	-	39,796,361
Total endowment	<u>\$ 39,796,361</u>	<u>\$ 149,936,043</u>	<u>\$ 189,732,404</u>

Changes in endowment net assets for the year ended June 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year			
Investment return	\$ 35,807,532	\$ 143,827,173	\$ 179,634,705
Contributions	5,061,855	9,572,113	14,633,968
Current-year board designations	-	1,051,609	1,051,609
Appropriations of endowment assets for expenditures	2,055,467	-	2,055,467
Release from restriction	(3,128,493)	(4,514,852)	(7,643,345)
Endowment net assets, end of year	<u>\$ 39,796,361</u>	<u>\$ 149,936,043</u>	<u>\$ 189,732,404</u>

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the gifts made by donors to establish the endowment. In accordance with U.S. GAAP, deficiencies of this nature that are reflected in net assets with donor restrictions were \$22,970 and \$82,179 as of June 30, 2025 and 2024, 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 to achieve its long-term return objectives within prudent risk constraints.

Heifer International Foundation

Notes to Financial Statements

Note 10. Endowments (Continued)

Spending policy and how the investment objectives relate to spending policy: The Foundation has a practice 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, 2025 and 2024. Average market value is calculated based on the market value of the three preceding calendar year-ends. Additionally, the Foundation funded its operating budget for the years ended June 30, 2025 and 2024, with 2.00% and 1.90%, respectively, of the three-year average of the calendar year-end market value of undesignated endowment funds. Further, the Foundation made available 3.00% and 3.10% for distribution to HPI for the years ended June 30, 2025 and 2024, respectively, from undesignated endowment funds. In establishing this practice, the Foundation considered the long-term expected return and goals of the endowment. This practice can be revised at the discretion of the Board of Trustees.

Note 11. Functional Expense Classification

The Not-for-Profit Entities topic of the ASC requires nonprofit organizations to disclose expenses by functional classification. The Foundation allocates all expenses, except those noted below, to the functional categories based on time and effort from periodic time studies. There are certain expenses that are directly charged to management and general including expenses related to the Foundation Board of Trustees, accounting, insurance and certain legal expenses. Expenses by functional classification for the year ended June 30, 2025, are as follows:

	Program Services	Management and General	Total Expenses
Salaries and wages	\$ 82,120	\$ 1,475,881	\$ 1,558,001
Employee benefits	18,466	352,060	370,526
Total salaries, wages and related expenses	100,586	1,827,941	1,928,527
Disbursements to HPI	5,169,531	-	5,169,531
Supplies, printing and promotion	17,790	177,845	195,635
Travel, conference and meetings	83,083	145,873	228,956
Professional and consulting	-	251,899	251,899
Equipment rental and maintenance	900	6,852	7,752
Occupancy costs	4,239	45,977	50,216
Facility costs	358	7,146	7,504
Support and other services	27,852	110,368	138,220
Personnel expenses	2,117	33,121	35,238
Depreciation expenses	598	6,488	7,086
Total	\$ 5,407,054	\$ 2,613,510	\$ 8,020,564

Heifer International Foundation

Notes to Financial Statements

Note 11. Functional Expense Classification (Continued)

Expenses by functional classification for the year ended June 30, 2024, are as follows:

	Program Services	Management and General	Total Expenses
Salaries and wages	\$ 38,655	\$ 1,551,251	\$ 1,589,906
Employee benefits	9,727	315,608	325,335
Total salaries, wages and related expenses	48,382	1,866,859	1,915,241
Disbursements to HPI	5,174,444	-	5,174,444
Supplies, printing and promotion	27,463	57,487	84,950
Travel, conference and meetings	59,222	108,704	167,926
Professional and consulting	105,913	201,113	307,026
Equipment rental and maintenance	377	12,617	12,994
Occupancy costs	4,259	31,934	36,193
Facility costs	194	7,436	7,630
Support and other services	52,388	114,878	167,266
Personnel expenses	2,435	14,962	17,397
Depreciation expenses	620	4,648	5,268
Total	<u>\$ 5,475,697</u>	<u>\$ 2,420,638</u>	<u>\$ 7,896,335</u>

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, 2025, the Foundation's charitable gift annuities were composed of the following:

The annuity reserve assets included the following:

Money market funds	\$ 105,033
U.S. Treasury securities	2,999,959
Corporate bonds	2,925,875
Municipal bonds	<u>1,256,066</u>
Annuity reserve assets	<u>7,286,933</u>

Annuities payable	<u>(3,593,090)</u>
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Annuity surplus	<u><u>\$ 3,693,843</u></u>
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At June 30, 2024, the Foundation's charitable gift annuities were composed of the following:

The annuity reserve assets included the following:

Money market funds	\$ 66,973
U.S. Treasury securities	3,369,685
Corporate bonds	1,747,404
Mutual funds	<u>1,645,880</u>
Annuity reserve assets	<u>6,829,942</u>

Annuities payable	<u>(3,814,231)</u>
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Annuity surplus	<u><u>\$ 3,015,711</u></u>
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The Foundation has elected the reserve valuation method for establishing its annuity reserves.