Heifer International Foundation

Financial Report
June 30, 2016

Contents

Independent Auditor's Report

To the Board of Trustees
Heifer International Foundation
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Heifer International Foundation, which comprise the statements of financial position as of June 30, 2016 and 2015; the related statements of activities and cash flows for the years then ended; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heifer International Foundation as of June 30, 2016 and 2015, and the results of its activities and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the years ended June 30, 2016 and 2015, 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 as of and for the years ended June 30, 2016 and 2015, has been subjected to the auditing procedures applied in the audit 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 as of and for the years ended June 30, 2016 and 2015, is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Kansas City, Missouri
September 29, 2016

Heifer International Foundation

Statements of Financial Position
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	**$ 6,855,815**	$ 3,830,774
Contributions and bequests receivable	**330,365**	346,391
Prepaid expenses and other assets (Note 1)	**274,655**	542,397
Investments (Note 2)	**98,135,343**	94,681,163
Certificate of deposit	**-**	469,764
Property and equipment, net (Note 3)	**-**	6,302
Total assets	**$ 105,596,178**	$ 99,876,791
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	**$ 205,116**	$ 219,089
Annuities payable (Note 4)	**4,836,797**	4,861,870
Trusts payable (Note 4)	**9,728,728**	9,197,059
Refundable advances	**4,867,387**	3,653,479
Total liabilities	**19,638,028**	17,931,497
Net assets:		
Unrestricted:		
Board designated	**9,067,521**	8,753,342
Undesignated	**(7,076,560)**	(7,220,095)
Unrestricted	**1,990,961**	1,533,247
Temporarily restricted (Notes 5 and 9)	**4,308,209**	5,577,007
Permanently restricted (Notes 5 and 9)	**79,658,980**	74,835,040
Net assets	**85,958,150**	81,945,294
Total liabilities and net assets	**$ 105,596,178**	$ 99,876,791

See notes to financial statements.

Heifer International Foundation

Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Contributions:				
General	$ 628,231	$ -	$ 4,858,866	$ 5,487,097
Annuities and trusts	-	-	891,922	891,922
Investment return (Note 6)	761,359	345,186	-	1,106,545
Change in split-interest obligations	-	-	(926,848)	(926,848)
Net assets released from restrictions	1,613,984	(1,613,984)	-	-
Total revenue, gains and other support	3,003,574	(1,268,798)	4,823,940	6,558,716
Expenses (Note 7):				
Program services	1,840,879	-	-	1,840,879
Management and general	702,195	-	-	702,195
Fundraising	2,786	-	-	2,786
Total expenses	2,545,860	-	-	2,545,860
Change in net assets	457,714	(1,268,798)	4,823,940	4,012,856
Net assets, beginning of year	1,533,247	5,577,007	74,835,040	81,945,294
Net assets, end of year	$ 1,990,961	$ 4,308,209	$ 79,658,980	$ 85,958,150

See notes to financial statements.

Heifer International Foundation

Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Contributions:				
General	$ 365,037	$ -	$ 3,494,368	$ 3,859,405
Annuities and trusts	-	-	435,891	435,891
Investment return (Note 6)	(420,309)	813,277	-	392,968
Change in split-interest obligations	-	-	483,010	483,010
Net assets released from restrictions	1,423,482	(1,423,482)	-	-
Total revenue, gains and other support	1,368,210	(610,205)	4,413,269	5,171,274
Expenses (Note 7):				
Program services	1,335,400	-	-	1,335,400
Management and general	708,773	-	-	708,773
Fundraising	13,650	-	-	13,650
Total expenses	2,057,823	-	-	2,057,823
Change in net assets	(689,613)	(610,205)	4,413,269	3,113,451
Net assets, beginning of year	2,222,860	6,187,212	70,421,771	78,831,843
Net assets, end of year	$ 1,533,247	$ 5,577,007	$ 74,835,040	$ 81,945,294

See notes to financial statements.

Heifer International Foundation

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	**$ 4,012,856**	$ 3,113,451
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	**6,302**	13,001
Net realized and unrealized (gain) loss on investment portfolio	**(168,209)**	735,538
Change in value of split-interest obligations	**926,848**	(483,010)
Contributions of investments	**(412,949)**	(673,678)
Contributions received restricted for long-term investment	**(5,750,788)**	(3,930,259)
Changes in operating assets and liabilities:		
Contributions and bequests receivable	**16,026**	225,314
Prepaid expenses and other assets	**(32,258)**	(294,406)
Accounts payable and accrued liabilities	**(13,973)**	50,379
Refundable advances	**1,213,908**	700,624
Annuities and trusts payable	**1,421,997**	2,195,073
Total adjustments	**(2,793,096)**	(1,461,424)
Net cash provided by operating activities	**1,219,760**	1,652,027
Cash flows from investing activities:		
Purchase of investments	**(30,112,698)**	(34,265,147)
Proceeds from disposition of investments and certificate of deposit	**27,709,440**	29,666,568
Proceeds from sale of land held for sale	**300,000**	-
Net cash used in investing activities	**(2,103,258)**	(4,598,579)
Cash flows from financing activities:		
Contributions restricted for annuities and trusts	**891,922**	435,891
Contributions restricted for endowments	**4,858,866**	3,494,368
Payments on split-interest obligations	**(1,842,249)**	(1,739,919)
Payments received on note receivable	**-**	9,008
Net cash provided by financing activities	**3,908,539**	2,199,348
Increase (decrease) in cash and cash equivalents	**3,025,041**	(747,204)
Cash and cash equivalents:		
Beginning of year	**3,830,774**	4,577,978
End of year	**$ 6,855,815**	$ 3,830,774

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 build an endowment to generate ongoing support for 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, 2016 and 2015, cash equivalents consisted primarily of money market funds.

Investments and investment return: Investments are carried at fair value determined by quoted prices, as available. Donated investments are initially valued at the fair value at time of donation. Investment return includes dividends, interest and other investment income, 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 permanently restricted net assets is generally reported as temporarily 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 unrestricted until such deficiency is eliminated. Other investment return is reflected in the statements of activities as unrestricted.

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.

Certificates of deposit: Certificates of deposit have original maturities greater than one year and are reported at fair value based on quoted market prices for those or similar investments.

Contributions and bequests receivable: Contributions and bequests receivable are stated at the amount due from donors or other parties. Bequests 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, 2016 and 2015. 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.

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

Property and equipment: Property and equipment are recorded at cost for purchased assets and estimated fair value based on an independent appraisal as of the date of the contribution for contributed assets. The Foundation capitalizes all expenditures for property and equipment in excess of $5,000. Property and equipment is depreciated on a straight-line basis over the estimated useful life of each asset. The estimated useful lives of the assets are:

	Years
Leasehold improvements	5
Furniture	5
Computer equipment and software	3

Other assets: Included in prepaid expenses and other assets as of June 30, 2015, is land held for sale, which represents land contributed to the Foundation held for future sale. The land was recorded at the appraised value on the date of the gift. At June 30, 2015, the land was measured at the lower of fair market value less estimated cost to sell or carrying value. The land was subsequently sold on July 2, 2015. Total consideration received for the land was $300,000.

Net assets classification: The Foundation distinguishes between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets in the accompanying financial statements. A description of these net asset classifications is as follows:

***Unrestricted net assets*:** Net assets are classified as unrestricted if they are not subject to donor-imposed stipulations and are available to support the operations of the Foundation.

Unrestricted Board-designated net assets: Net assets that are classified as unrestricted, as they are not subject to donor-imposed stipulations, but the Foundation's Board has designated to be used for programs in certain countries.

***Temporarily restricted net assets*:** Temporarily restricted net assets 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, and restrictions imposed by law that restricts net investment income and gains until appropriated for expenditure.

***Permanently restricted net assets*:** Permanently restricted net assets have been restricted by donors to be maintained by the Foundation in perpetuity.

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.

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

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 *FASB Accounting Standards Codification* (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, 2016 or 2015.

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 2.

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, management and general, and fundraising categories based on time studies and other methods.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions 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.

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.

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

Recent accounting pronouncements: Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. The Foundation is evaluating the effect the standard will have on its financial statements and related disclosures. The Foundation has not yet selected a transition method and has not determined the effect of the standard on ongoing financial reporting.

In February 2016, the FASB issued ASU No. 2016-02 *Leases (Topic 842).* The guidance in this ASU supersedes the leasing guidance in ASC Topic 840, Leases*.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal year 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financials Statements of Not-for Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping not-for-profits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. This pronouncement decreases the number of net assets classes from three to two. The new classes will be *net assets with donor restrictions* and *net assets without donor restrictions*. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Therefore, this ASU will be effective for the Foundation’s fiscal year ended June 30, 2019. Management is in the process of evaluating the impact of this new guidance.

Subsequent events: The Foundation has evaluated events that occurred after June 30, 2016, but prior to September 29, 2016, the date the financial statements were issued. The Foundation did not identify any events or transactions during this period of time that require recognition or disclosure in the financial statements for the year ended June 30, 2016.

Note 2. Fair Value of Financial Instruments

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

Note 2. Fair Value of Financial Instruments (Continued)

As defined in the 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 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 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 that 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, 2016 and 2015, 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, 2016 and 2015, securities held by the Foundation are classified as Level 1 and Level 2.

Alternative investments: The fair value of alternative investments are measured at net asset value (NAV) using the practical expedient. In 2015, the Foundation adopted FASB ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investment in Certain Entities That Calculate Net Asset value per Share (or Its Equivalent),* which removes the requirement to categorize these investments within the fair value hierarchy.

Annuities and trusts payable: The fair value of annuities and trusts payable is valued at respective present values, based on the life expectancies of any live beneficiaries.

Note 2. Fair Value of Financial Instruments (Continued)

The following tables summarize assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and 2015, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	June 30, 2016				
	Level 1	Level 2	Level 3	Investments Valued at Net Asset Value	Total
Investment:					
Common stock:					
Small cap	$ 9,273,891	$ -	$ -	$ -	$ 9,273,891
Large cap	13,303,762	-	-	-	13,303,762
Preferred stock	441,652	-	-	-	441,652
Mutual funds	18,222,682	-	-	-	18,222,682
U.S. agency securities	4,906,707	-	-	-	4,906,707
Corporate bonds	16,454,595	26,981	-	-	16,481,576
Municipal bonds	823,077	506,027	-	-	1,329,104
Mortgage-backed securities	3,216,438	2,433,832	-	-	5,650,270
Pooled investments—mutual funds	-	14,306,516	-	-	14,306,516
Alternative investments:					
Limited partnerships	-	-	-	13,447,373	13,447,373
Limited liability company	-	-	-	771,810	771,810
Total investments	$ 66,642,804	$ 17,273,356	$ -	$ 14,219,183	$ 98,135,343
Annuities payable	$ -	$ -	$ 4,836,797	$ -	$ 4,836,797
Trusts payable	$ -	$ -	$ 9,728,728	$ -	$ 9,728,728

	June 30, 2015				
	Level 1	Level 2	Level 3	Investments Valued at Net Asset Value	Total
Investment:					
Common stock:					
Small cap	$ 8,059,570	$ -	$ -	$ -	$ 8,059,570
Large cap	11,297,708	-	-	-	11,297,708
Preferred stock	411,148	-	-	-	411,148
Mutual funds	25,583,474	-	-	-	25,583,474
U.S. agency securities	4,679,552	-	-	-	4,679,552
Corporate bonds	14,446,243	65,839	-	-	14,512,082
Municipal bonds	246,150	844,997	-	-	1,091,147
Mortgage-backed securities	2,493,687	3,671,212	-	-	6,164,899
Pooled investments—mutual funds	-	13,850,043	-	-	13,850,043
Alternative investments:					
Limited partnerships	-	-	-	8,610,558	8,610,558
Limited liability company	-	-	-	420,982	420,982
Total investments	$ 67,217,532	$ 18,432,091	$ -	$ 9,031,540	$ 94,681,163
Annuities payable	$ -	$ -	$ 4,861,870	$ -	$ 4,861,870
Trusts payable	$ -	$ -	$ 9,197,059	$ -	$ 9,197,059

Note 2. Fair Value of Financial Instruments (Continued)

The changes in Level 3 liabilities measured at fair value on a recurring basis as of June 30, 2016, are summarized as follows:

	Annuities Payable	Trusts Payable
Balance, July 1, 2015	$ 4,861,870	$ 9,197,059
Gifts	96,600	1,160,419
Sales/distributions	(637,376)	(1,204,873)
Realized and unrealized gains	515,703	576,123
Balance, June 30, 2016	$ 4,836,797	$ 9,728,728

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis as of June 30, 2015, are summarized as follows:

	Annuities Payable	Trusts Payable	Mortgage-Backed Securities	Real Estate
Balance, July 1, 2014	$ 4,811,298	$ 9,275,487	$ 52,382	$ 319,000
Gifts	298,713	664,838	-	-
Sales/distributions	(629,331)	(1,110,588)	(52,851)	(319,000)
Realized and unrealized gains	381,190	367,322	469	-
Balance, June 30, 2015	$ 4,861,870	$ 9,197,059	$ -	$ -

The following tables set forth additional disclosures of the Foundation's investments whose fair value is estimated using NAV per share (or its equivalent) as of June 30, 2016 and 2015:

Investment	Fair Value at June 30, 2015	Fair Value at June 30, 2016	Unfunded Commitment at June 30, 2016	Redemption Frequency	Redemption Notice Period
Limited partnerships (A):					
Molpus Woodlands Fund III LP	$ 6,026,519	$ 6,090,190	$ -	N/A	N/A
HarbourVest Partners Fund IX LP	2,444,051	3,187,759	1,880,000	N/A	N/A
Edgewater Private Equity Fund III, LP	139,988	135,180	-	N/A	N/A
Trumbull Property Growth & Income Fund	-	4,034,244	-	N/A	N/A
Limited liability company (B):					
Alwin LLC	44,217	44,217	-	N/A	N/A
Legacy Venture VII LLC	376,765	727,593	1,032,500	N/A	N/A
	$ 9,031,540	$ 14,219,183	$ 2,912,500		

(A) These limited partnerships have different investment objectives. The largest focuses on timberland investments and the others in private equity companies and other limited partnerships.

(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 2. Fair Value of Financial Instruments (Continued)

In addition, the Foundation has committed to an investment in a limited partnership that invests in innovative financial technology and services companies that promote financial inclusion for people around the world who lack access to savings accounts, checking, insurance, credit and other basic financial services; however, as of June 30, 2016, the Foundation had not funded this investment. 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 $3,912,500 and $7,757,500 at June 30, 2016 and 2015, respectively.

Note 3. Property and Equipment

Property and equipment at June 30 consisted of the following:

	2016	2015
Computers and other equipment	$ 6,298	$ 6,298
Software	26,351	26,351
Furniture	45,458	45,458
Leasehold improvements	20,000	20,000
	98,107	98,107
Less accumulated depreciation and amortization	(98,107)	(91,805)
Property and equipment, net	$ -	$ 6,302

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, 2016 and 2015, of $4,836,797 and $4,861,870, 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, investments and certificate of deposit on the statements of financial position as of June 30, 2016 and 2015, for a total reserve balance of approximately $7,620,000 and $7,570,000, 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 statement of activities as permanently restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the Foundation's statement 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, 2016 and 2015, the Foundation had recorded $9,728,728 and $9,197,059, respectively, in trust liabilities due to the beneficiaries for the remainder of the stated or expected term of the trust.

Note 4. Annuities and Trusts Payable (Continued)

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 $4,281,000 and $3,127,000 as of June 30, 2016 and 2015, respectively. The remaining balance in refundable advances on the accompanying statement of financial position relates to interest-free loans, agency funds and advised gift funds.

Note 5. Net Assets

Temporarily restricted net assets: Temporarily restricted net assets at June 30 are available for the following purposes and represent unappropriated earnings on permanent endowments:

	2016	2015
Countries and international programs	$ 932,792	$ 1,176,986
Country matching	226,021	260,664
HPI ranch and farm operation	96,591	120,810
Animals	242,802	318,391
Training	165,545	178,728
Education	183,018	216,735
Women in livestock development program	93,594	114,665
Other HPI activities	2,367,846	3,190,028
Total	$ 4,308,209	$ 5,577,007

Permanently restricted net assets: Permanently restricted net assets of which the income is expendable to support at June 30 are restricted to:

	2016	2015
Any activity of the Foundation or HPI	$ 67,400,489	$ 62,753,553
Countries and international programs	5,256,948	5,214,775
Country matching	2,650,857	2,650,857
HPI ranch and farm operation	549,202	549,202
Animals	1,397,500	1,388,124
Training	118,609	118,609
Education	580,319	580,319
Women in livestock development program	515,188	406,468
Other	1,189,868	1,173,133
Total	$ 79,658,980	$ 74,835,040

Note 5. Net Assets (Continued)

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:

	2016	2015
Purpose restrictions accomplished:		
Countries and international programs	$ 342,339	$ 330,324
Country matching	46,441	44,613
HPI ranch and farm operations	32,436	31,143
Animals	98,282	93,958
Training	17,709	16,785
Education	45,797	43,553
Women in livestock development program	27,832	27,799
Other	77,193	76,500
Endowment income appropriated	925,955	758,807
Total	$ 1,613,984	$ 1,423,482

Note 6. Investment Return

Total investment return for the years ended June 30, 2016 and 2015, is composed of the following:

	2016	2015
Interest and dividend income	$ 1,503,405	$ 1,604,771
Net realized and unrealized returns on investments reported at fair value	168,209	(735,538)
Investment management fee	(565,069)	(476,265)
	$ 1,106,545	$ 392,968

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.

Note 7. Related-Party Transactions (Continued)

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 are reported in the Foundation's financial statements as program services as follows:

	2016	2015
Unrestricted	$ 1,055,366	$ 501,375
Contributions temporarily restricted for:		
Countries and international programs	437,664	380,832
Education properties operations and maintenance	27,945	31,116
Education and training	26,647	35,946
Country matching	139,481	133,744
Other purposes	82,101	102,556
	$ 1,769,204	$ 1,185,569

The Foundation and HPI both receive contributions in the form of testamentary bequests wherein HPI is named a beneficiary. HPI may at their discretion transfer undesignated bequests where HPI is listed as the beneficiary to the Foundation, unless otherwise restricted by the donor. A portion of these bequests were transferred to the Foundation and recorded by the Foundation as contributions to permanently restricted endowments amounting to $4,367,161 and $2,813,177 for the years ended June 30, 2016 and 2015, respectively.

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 $31,438 and $15,833 for providing these services during the years ended June 30, 2016 and 2015, 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. In accordance with the lease agreement, the Foundation paid $36,193 in rent expense for each of the years ended June 30, 2016 and 2015.

The Foundation's board of trustees has agreed to make available up to $8 million or 10 percent of endowment assets, whichever is greater, as a line of credit to HPI, as of June 30, 2016 and 2015. The amount available as a line of credit to HPI as of June 30, 2016 and 2015, was $8 million. 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, 2016 and 2015, HPI made no draws under the line-of-credit arrangement, and therefore, paid no interest to the Foundation.

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 $30,016 and $31,228 to the Plan for the years ended June 30, 2016 and 2015, 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, 2016 and 2015, 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent 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 permanently restricted net assets is classified as temporarily restricted net assets 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.

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

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment and spending policies of the organization

Endowment net asset composition by type of fund as of June 30, 2016, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and related earnings	$ (13,745,578)	$ 4,308,209	$ 77,148,698	$ 67,711,329
Board-designated endowment funds and related earnings	9,067,521	-	-	9,067,521
Total endowment	$ (4,678,057)	$ 4,308,209	$ 77,148,698	$ 76,778,850

Note 9. Endowments (Continued)

Changes in endowment net assets for the year ended June 30, 2016, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (4,844,360)	$ 5,577,007	$ 72,209,248	$ 72,941,895
Investment return	961,580	345,186	-	1,306,766
Contributions	-	-	4,939,450	4,939,450
Current-year board designations	628,232	-	-	628,232
Appropriations of endowment assets for expenditures	(1,423,509)	(1,613,984)	-	(3,037,493)
Endowment net assets, end of year	$ (4,678,057)	$ 4,308,209	$ 77,148,698	$ 76,778,850

Endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and related earnings	$ (13,597,702)	$ 5,577,007	$ 72,209,248	$ 64,188,553
Board-designated endowment funds and related earnings	8,753,342	-	-	8,753,342
Total endowment	$ (4,844,360)	$ 5,577,007	$ 72,209,248	$ 72,941,895

Changes in endowment net assets for the year ended June 30, 2015, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (5,000,171)	$ 6,187,211	$ 68,602,307	$ 69,789,347
Investment return	818,978	813,278	-	1,632,256
Contributions	-	-	3,606,941	3,606,941
Current-year board designations	365,035	-	-	365,035
Appropriations of endowment assets for expenditures	(1,028,202)	(1,423,482)	-	(2,451,684)
Endowment net assets, end of year	$ (4,844,360)	$ 5,577,007	$ 72,209,248	$ 72,941,895

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 reported in unrestricted net assets was $13,745,578 and $13,597,702 as of June 30, 2016 and 2015, respectively. This deficiency resulted from unfavorable market fluctuations that occurred in previous years.

Note 9. Endowments (Continued)

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.

Spending policy and how the investment objectives relate to spending policy: The Foundation has a policy of making available for appropriation 5 percent of the average market value of the income-producing assets in restricted use endowments as attributed income to HPI for the immediately following fiscal year. 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, 2016 and 2015, with no more than 2.652 percent and 3.225 percent, respectively, of the three-year rolling average of the calendar year-end market value of undesignated endowment funds. Further, the Foundation made available 3.348 percent and 2.775 percent for distribution to HPI for the years ended June 30, 2016 and 2015, 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.

Heifer International Foundation

Supplementary Schedule of Functional Expenses
Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 38,248	$ 345,465	$ -	$ 383,713
Employee benefits	10,292	92,956	-	103,248
Total salaries, wages and related expenses	48,540	438,421	-	486,961
Disbursements to HPI	1,769,204	-	-	1,769,204
Supplies, printing and promotion	7,319	30,096	2,262	39,677
Travel, conference and meetings	4,146	47,985	-	52,131
Professional and consulting	3,244	48,383	33	51,660
Equipment rental and maintenance	610	5,519	2	6,131
Occupancy costs	3,576	32,544	76	36,196
Facility costs	178	1,952	-	2,130
Depreciation	623	5,666	13	6,302
Support and other service	2,260	80,980	400	83,640
Personnel expenses	1,179	10,649	-	11,828
Total	$ 1,840,879	$ 702,195	$ 2,786	$ 2,545,860

Heifer International Foundation

Supplementary Schedule of Functional Expenses
Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 61,506	$ 355,667	$ 1,398	$ 418,571
Employee benefits	17,653	103,849	560	122,062
Total salaries, wages and related expenses	79,159	459,516	1,958	540,633
Disbursements to HPI	1,185,569	-	-	1,185,569
Supplies, printing and promotion	16,746	26,816	9,899	53,461
Travel, conference and meetings	27,555	40,981	-	68,536
Professional and consulting	7,966	51,954	240	60,160
Equipment rental and maintenance	2,295	6,675	30	9,000
Occupancy costs	6,217	29,410	566	36,193
Facility costs	323	2,104	-	2,427
Depreciation	2,234	10,564	203	13,001
Support and other service	6,541	74,831	754	82,126
Personnel expenses	795	5,922	-	6,717
Total	$ 1,335,400	$ 708,773	$ 13,650	$ 2,057,823

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, 2016, the Foundation's charitable gift annuities were composed of the following:

The annuity reserve assets included the following:	
Money market funds	$ 111,077
Interest and dividends receivable	58,868
U.S. Treasury securities	1,459,316
Preferred stocks	118,492
Municipal bonds	543,755
Mortgage-backed securities	1,004,209
Corporate bonds	4,001,308
Mutual funds	322,953
Annuity reserve assets	7,619,978
Annuities payable	(4,836,797)
Annuity surplus	$ 2,783,181

At June 30, 2015, the Foundation's charitable gift annuities were composed of the following:

The annuity reserve assets included the following:	
Money market funds	$ 63,458
Interest and dividends receivable	58,791
U.S. Treasury securities	1,530,364
Preferred stocks	110,308
Municipal bonds	554,730
Mortgage-backed securities	850,351
Corporate bonds	3,883,259
Mutual funds	234,783
Certificate of deposit	284,323
Annuity reserve assets	7,570,367
Annuities payable	(4,861,870)
Annuity surplus	$ 2,708,497

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

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