

# Heifer Project International

Consolidated Financial Statements as of and  
for the Years Ended June 30, 2011 and 2010,  
Supplemental Schedules as of and for  
the Year Ended June 30, 2011, and  
Independent Auditors' Report



# HEIFER PROJECT INTERNATIONAL

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Heifer Project International  
Little Rock, Arkansas

We have audited the accompanying consolidated statements of financial position of Heifer Project International (the "Organization") as of June 30, 2011 and 2010, and the related consolidated statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. These schedules are the responsibility of the Organization's management. Such schedules have been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, are fairly stated, in all material respects when considered in relation to the consolidated financial statements taken as a whole.

*Deloitte & Touche LLP*

November 4, 2011

# HEIFER PROJECT INTERNATIONAL

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2011 and 2010

|  | <u>2011</u>           | <u>2010</u>           |
|--|-----------------------|-----------------------|
| <b>Assets</b>  |                       |                       |
| Cash and Cash Equivalents  | \$ 43,358,795         | \$ 38,442,609         |
| Restricted Cash  | 14,690,411            | 9,706,325             |
| Accounts and Interest Receivable                                   | 3,655,964             | 3,049,549             |
| Grant Reimbursements Receivable                                    | 421,849               | 174,095               |
| Prepaid Expenses and Other   | 1,388,945             | 1,899,465             |
| Investments (Note 2)   | 246,141               | 1,811,215             |
| Contributions Receivable (Note 3)                                  | 947,883               | 578,239               |
| Interest in Net Assets of Heifer International Foundation (Note 4) | 57,911,092            | 46,119,994            |
| Property and Equipment, net of accumulated depreciation (Note 5)   | 57,518,680            | 59,953,991            |
| Total Assets   | <u>\$ 180,139,760</u> | <u>\$ 161,735,482</u> |
| <b>Liabilities and Net Assets</b>                                  |                       |                       |
| <b>Liabilities</b>   |                       |                       |
| Accounts Payable   | \$ 2,071,864          | \$ 1,886,961          |
| Accrued Expenses   | 3,311,678             | 3,624,747             |
| Refundable Advances  | 682,810               | 371,219               |
| Bonds Payable (Note 7)   | 17,430,000            | 18,380,000            |
| Total Liabilities  | <u>23,496,352</u>     | <u>24,262,927</u>     |
| <b>Net Assets</b>  |                       |                       |
| Unrestricted   | 65,491,562            | 63,102,238            |
| Temporarily Restricted (Note 8)                                    | 31,662,989            | 18,725,077            |
| Permanently Restricted (Note 8)                                    | 59,488,857            | 55,645,240            |
| Total Net Assets   | <u>156,643,408</u>    | <u>137,472,555</u>    |
| Total Liabilities and Net Assets                                   | <u>\$ 180,139,760</u> | <u>\$ 161,735,482</u> |

See notes to the consolidated financial statements.

**HEIFER PROJECT INTERNATIONAL**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2011 and 2010**

|   | 2011                 |                           |                           | Total                |
|---|----------------------|---------------------------|---------------------------|----------------------|
|   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted |                      |
| <b>Revenues, Gains and Other Support</b>              |                      |                           |                           |                      |
| Contributions   | \$ 91,444,053        | \$ 14,351,869             | \$ -                      | \$105,795,922        |
| Federal Government Grants                             | 441,773              | -                         | -                         | 441,773              |
| Other Grants  | 5,000                | 18,529,862                | -                         | 18,534,862           |
| Investment Return (Note 2)                            | 361,538              | -                         | -                         | 361,538              |
| Educational Programs                                  | 1,472,118            | -                         | -                         | 1,472,118            |
| Promotional Events and Material Sales,<br>net of cost | 330,245              | -                         | -                         | 330,245              |
| Other   | 774,544              | -                         | -                         | 774,544              |
| Change in Interest in Net Assets of                   |                      |                           |                           |                      |
| Heifer International Foundation (Note 4)              | 4,736,778            | 871,679                   | 3,843,617                 | 9,452,074            |
| Net Assets Released from Restrictions (Note 8)        | 20,815,498           | (20,815,498)              | -                         | -                    |
| <b>Total Revenues, Gains and Other Support</b>        | <b>120,381,547</b>   | <b>12,937,912</b>         | <b>3,843,617</b>          | <b>137,163,076</b>   |
| <b>Expenses and Losses</b>                            |                      |                           |                           |                      |
| Program Services (Note 11)                            | 86,137,444           | -                         | -                         | 86,137,444           |
| Fund Raising (Note 11)                                | 23,847,691           | -                         | -                         | 23,847,691           |
| Management and General (Note 11)                      | 7,621,373            | -                         | -                         | 7,621,373            |
| <b>Total Expenses and Losses</b>                      | <b>117,606,508</b>   | <b>-</b>                  | <b>-</b>                  | <b>117,606,508</b>   |
| <b>Change in Net Assets from Operations</b>           | <b>2,775,039</b>     | <b>12,937,912</b>         | <b>3,843,617</b>          | <b>19,556,568</b>    |
| <b>Other Changes in Net Assets</b>                    |                      |                           |                           |                      |
| Foreign Currency Translation Adjustment               | (385,715)            | -                         | -                         | (385,715)            |
| <b>Total Change in Net Assets</b>                     | <b>2,389,324</b>     | <b>12,937,912</b>         | <b>3,843,617</b>          | <b>19,170,853</b>    |
| <b>Net Assets, Beginning of Year</b>                  | <b>63,102,238</b>    | <b>18,725,077</b>         | <b>55,645,240</b>         | <b>137,472,555</b>   |
| <b>Net Assets, End of Year</b>                        | <b>\$ 65,491,562</b> | <b>\$ 31,662,989</b>      | <b>\$ 59,488,857</b>      | <b>\$156,643,408</b> |

(continued)

See notes to the consolidated financial statements.

**HEIFER PROJECT INTERNATIONAL**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30, 2011 and 2010**

|   | 2010                 |                           |                           | Total                |
|---|----------------------|---------------------------|---------------------------|----------------------|
|   | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted |                      |
| <b>Revenues, Gains and Other Support</b>  |                      |                           |                           |                      |
| Contributions   | \$ 98,710,969        | \$ 7,571,505              | \$ -                      | \$106,282,474        |
| Federal Government Grants   | 420,649              | -                         | -                         | 420,649              |
| Other Grants  | 11,969               | 8,332,289                 | -                         | 8,344,258            |
| Investment Return (Note 2)  | 206,811              | -                         | -                         | 206,811              |
| Educational Programs  | 1,568,905            | -                         | -                         | 1,568,905            |
| Promotional Events and Material Sales,<br>net of cost                           | 428,147              | -                         | -                         | 428,147              |
| Other   | 1,068,949            | -                         | -                         | 1,068,949            |
| Change in Interest in Net Assets of<br>Heifer International Foundation (Note 4) | (3,206,595)          | 3,777,397                 | 3,962,966                 | 4,533,768            |
| Net Assets Released from Restrictions (Note 8)                                  | 17,409,452           | (17,409,452)              | -                         | -                    |
| <b>Total Revenues, Gains and Other Support</b>                                  | <b>116,619,256</b>   | <b>2,271,739</b>          | <b>3,962,966</b>          | <b>122,853,961</b>   |
| <b>Expenses and Losses</b>  |                      |                           |                           |                      |
| Program Services (Note 11)  | 83,741,491           | -                         | -                         | 83,741,491           |
| Fund Raising (Note 11)  | 22,505,520           | -                         | -                         | 22,505,520           |
| Management and General (Note 11)  | 7,408,003            | -                         | -                         | 7,408,003            |
| <b>Total Expenses and Losses</b>  | <b>113,655,014</b>   | <b>-</b>                  | <b>-</b>                  | <b>113,655,014</b>   |
| <b>Change in Net Assets from Operations</b>                                     | <b>2,964,242</b>     | <b>2,271,739</b>          | <b>3,962,966</b>          | <b>9,198,947</b>     |
| <b>Other Changes in Net Assets</b>  |                      |                           |                           |                      |
| South Africa LSE Deconsolidation Adjustment (Note 1)                            | (917,805)            | -                         | -                         | (917,805)            |
| Foreign Currency Translation Adjustment   | (593,998)            | -                         | -                         | (593,998)            |
| <b>Total Change in Net Assets</b>   | <b>1,452,439</b>     | <b>2,271,739</b>          | <b>3,962,966</b>          | <b>7,687,144</b>     |
| <b>Net Assets, Beginning of Year</b>  | <b>61,649,799</b>    | <b>16,453,338</b>         | <b>51,682,274</b>         | <b>129,785,411</b>   |
| <b>Net Assets, End of Year</b>  | <b>\$ 63,102,238</b> | <b>\$ 18,725,077</b>      | <b>\$ 55,645,240</b>      | <b>\$137,472,555</b> |

(concluded)

See notes to the consolidated financial statements.

**HEIFER PROJECT INTERNATIONAL**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2011 and 2010**

|  | <b>2011</b>   | <b>2010</b>   |
|--|---------------|---------------|
| <b>Operating Activities</b>  |               |               |
| Change in Net Assets   | \$ 19,170,853 | \$ 7,687,144  |
| Adjustments to reconcile Change in Net Assets to Net Cash<br>Provided by (Used in) Operating Activities:       |               |               |
| Depreciation   | 4,428,346     | 4,498,197     |
| Change in Interest in Net Assets of Heifer International Foundation  | (9,452,074)   | (4,533,768)   |
| Loss on disposals of equipment   | 184,378       | 234,877       |
| Loss on conversion to accounts receivable  | 176,022       | -             |
| Net realized and unrealized gains on investments   | (330,232)     | (134,402)     |
| Loss on deconsolidation  | -             | 917,805       |
| Stock donation   | (2,972,996)   | (1,354,956)   |
| Changes in:  |               |               |
| Accounts and interest receivable   | (262,490)     | (837,830)     |
| Grant reimbursements receivable  | (247,754)     | 42,796        |
| Prepaid expenses and other   | (9,427)       | 9,715         |
| Contributions receivable   | (369,644)     | (180,895)     |
| Accounts payable   | 184,903       | (1,363,739)   |
| Accrued expenses   | (313,069)     | (1,109,040)   |
| Refundable advances  | 311,591       | (44,226)      |
| Net Cash Provided by Operating Activities  | 10,498,406    | 3,831,678     |
| <b>Investing Activities</b>  |               |               |
| Purchases of investments   | (343,404)     | (1,117,469)   |
| Proceeds from sales of investments   | 5,211,707     | 2,355,635     |
| Purchase of property and equipment   | (2,304,634)   | (2,723,188)   |
| Proceeds from disposals of property and equipment  | 127,220       | 125,525       |
| Net change in restricted cash  | (4,984,086)   | 929,968       |
| Proceeds from distributions from Heifer International Foundation   | 771,669       | 1,692,077     |
| Contributions to Heifer International Foundation   | (3,110,693)   | (3,206,595)   |
| Deconsolidation of South Africa LSE  | -             | (722,499)     |
| Net Cash Used in Investing Activities  | (4,632,221)   | (2,666,546)   |
| <b>Financing Activities</b>  |               |               |
| Principal payments on bonds payable  | (950,000)     | (920,000)     |
| Net Cash Used in Financing Activities  | (950,000)     | (920,000)     |
| <b>Increase in Cash and Cash Equivalents</b>   | 4,916,186     | 245,132       |
| <b>Cash and Cash Equivalents, beginning of year</b>  | 38,442,609    | 38,197,477    |
| <b>Cash and Cash Equivalents, end of year</b>  | \$ 43,358,795 | \$ 38,442,609 |
| <b>Noncash Operating and Investing Activities</b> - Purchases<br>of property and equipment in accounts payable | \$ -          | \$ -          |
| <b>Supplemental Cash Flow Information</b> - Interest paid,<br>net of amount capitalized                        | \$ 659,966    | \$ 1,627,970  |

See notes to the consolidated financial statements.

# HEIFER PROJECT INTERNATIONAL

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations** — Heifer Project International (the “Organization” or “HPI”) is a not-for-profit international development organization whose mission and principal activities are to work with communities world-wide to end hunger and poverty and care for the earth. Originally incorporated in 1953 in Indiana, HPI is headquartered in Little Rock, Arkansas, and was organized as an Arkansas corporation in 1997. HPI provides impoverished families around the world with income and food-producing livestock, agricultural resources, and training. To ensure impact and sustainability, project partner recipients are trained in animal care and environmentally sound agricultural practices so they can lift themselves out of poverty and become self-reliant. Milk, eggs, wool, meat, draft power, and other animal and agriculture benefits provide nutrition, and their sale provides money for education, housing, health care, and small business enterprises. Benefits of every donated animal are multiplied as recipients partner with HPI by “Passing on the Gift” of offspring and training to others in need. HPI also educates people, in both developed and underdeveloped parts of the world, about the causes of hunger and poverty, inspiring them to take action to break the cycle of poverty through environmentally sustainable practices. HPI’s revenues and other support are derived principally from contributions from individuals and groups in the United States.

**Principles of Consolidation** — Consolidated financial statements include the accounts of the Organization along with its activities carried out through international country program offices, some of which are registered as branch offices of HPI U.S. and others which are registered as legally separate entities. It is HPI policy to consolidate financial reporting for those entities which meet both control and economic interest factors as per Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-810, *Not-for-Profit Entities — Consolidation*. Financial statements and supplemental schedules herein are therefore reported based on a consolidation of HPI’s U.S. domestic operations with operations of HPI country office entities for which the control and economic interest criteria prevail. All significant intercompany accounts and transactions are eliminated in consolidation.

Refer to Table 1 for a listing of the international country office entities included in the financial consolidation for the fiscal years ended June 30, 2011 and 2010, which represent 39 and 40 entities, respectively. These counts include the USA Country Program, managed through the Organization’s U.S. operations. The reduction in consolidated entities from 2010 to 2011 resulted from the closing of the South Africa Regional Office during the 2010 fiscal year. While limited activity for this office was reflected for the fiscal 2010 closing year, no financial activity remains for the year ended June 30, 2011. Additionally, the Organization has closed its branch office operations in Russia and in Mozambique; their financial statements continue to be reflected in financial consolidation for both years presented due to some residual assets and financial activity.

**Table 1: Country Offices included in Financial Consolidation**

| <b>Africa</b>                                     | <b>Asia and South Pacific</b> | <b>Americas</b> | <b>Central and Eastern Europe</b> |
|---|-------------------------------|-----------------|-----------------------------------|
| Cameroon  | Cambodia                      | Bolivia         | Albania                           |
| Ghana   | India                         | Brazil          | Armenia                           |
| Kenya   | Indonesia                     | Canada          | Georgia                           |
| Malawi  | Nepal branch office           | Guatemala       | Kosovo                            |
| Mozambique**                                      | Heifer Nepal LSE              | Haiti           | Poland                            |
| Rwanda  | Philippines                   | Honduras        | Russia**                          |
| Senegal   | Thailand branch office        | Mexico          | Heifer Romania LSE                |
| Sierra Leone                                      | Heifer Thailand LSE           | Nicaragua       | Heifer Ukraine LSE                |
| Tanzania  | Vietnam                       | Peru            |                                   |
| Uganda  |                               | USA             |                                   |
| Zambia  |                               |                 |                                   |
| Zimbabwe  |                               |                 |                                   |
| South Africa Regional Office*                     |                               |                 |                                   |
| <i>(*Office closed; only 2010 consolidated)</i>   |                               |                 |                                   |
| <i>(**Office closed; consolidated both years)</i> |                               |                 |                                   |

HPI consolidated 39 and 40 country office entities for the years ended June 30, 2011 and 2010, respectively

In addition to the entities listed in Table 1 above, the Organization collaborates with other legally separate entities (LSEs) connected to HPI by relationship agreement but excluded from financial consolidation by HPI management under FASB ASC Topic 958-810. Therefore, HPI discloses that the financial operations of such entities are not reported in these financial statements. Under agreement, some of these legally separate entities carry the Heifer name and all are involved in either project implementation using a shared Heifer Model or funding of Heifer projects, and in some cases, both. Yet common factors for each of these entities include formation and country registration as independent entities legally separate from HPI, and an independent governing board. Table 2 lists the primary legally separate entities which fall into this category with their financial statements excluded from this consolidated report. All such LSEs are encouraged to be self-supporting in their fund raising efforts and to be self-governing. HPI does, however, solicit contributions in support of HPI agreements to fund Heifer projects managed by those offices, and may grant the majority of funding for some of these programs.

As disclosed in HPI's financial statements for the year ended June 30, 2010, Heifer South Africa strengthened its independent Board at the beginning of the 2010 fiscal year such that HPI no longer has control over that legally separate entity. Therefore, HPI management chose to deconsolidate from the Heifer South Africa entity for the entire fiscal year ended June 30, 2010, resulting in a loss on deconsolidation of approximately \$918,000 as reflected in the statement of activities, and a \$722,500 negative impact to the Organization's cash position as reflected on its statement of cash flows for the year ended June 30, 2010. Heifer South Africa has maintained its independent governing board for the 2011 fiscal year, and is therefore excluded from consolidation for the year ended June 30, 2011, and is instead included in Table 2.

**Table 2: Related Entities Not Consolidated**

| <u>Organization</u>   | <u>Country</u> |
|---|----------------|
| Heifer International Foundation (see below and Note 4)              | United States  |
| Sichuan Haihui Poverty Alleviation Service Center                   | China          |
| Heifer Project South Africa (dba Heifer International South Africa) | South Africa   |
| Fundacion Heifer Ecuador  | Ecuador        |
| Baltijos Labdaros Fondas (dba Heifer Baltic Foundation)             | Lithuania      |
| Heifer Slovakia, n.o.   | Slovakia       |
| Heifer International Canada   | Canada         |
| Heifer International Hong Kong Limited                              | Hong Kong      |
| Stichting Heifer Nederland  | Netherlands    |
| Bothar  | Ireland        |
| Send a Cow  | UK             |

Within Table 2, operations for the China, South Africa, Ecuador, Lithuania, and Slovakia entities are primarily programmatic in nature and these organizations receive funding from HPI for Heifer projects supported by HPI project letters of agreement. The Hong Kong, Netherlands, Ireland and UK entities provide project funding support to Heifer projects internationally, with support by Heifer Hong Kong concentrated on projects in China. Heifer International Canada is a new entity under formation with an independent governing board. It is in the process of charitable status registration and will eventually be able to support Heifer projects in Canada and worldwide.

Heifer International Foundation (the “Foundation” or HIF) is a financially interrelated organization (see Note 4), which was established to build an endowment to generate ongoing support for the work of HPI, to educate donors on how planned giving supports the work of HPI and to serve as a fiduciary for the Foundation’s donors. While HPI has economic interest in the net assets of HIF, the Foundation maintains separate control of its net assets through an independent board. Two HPI board members do serve on the Board of Trustees of HIF; however, since the HIF board consists of nine trustees, HPI does not carry a majority voting interest. Because HPI retains economic interest in the net assets of HIF but does not control those net assets, HPI records its interest in HIF under FASB ASC Topic 958-20, *Not for Profit Entities — Financial Interrelated Entities*.

**Use of Estimates** — The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** — The Organization considers all liquid investments with maturities of three months or less to be cash equivalents. Approximately \$31.7 million and \$26.8 million of liquid investments in U.S. Treasury Notes are included in cash at June 30, 2011 and 2010, respectively.

Effective October 3, 2008, the Federal Deposit Insurance Corporation’s (“FDIC”) insurance limits increased to \$250,000. The increase in federally insured limits, previously set to expire December 31, 2013, was made permanent July 21, 2010 by the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, noninterest bearing accounts at banking institutions participating in the FDIC’s Temporary Liquidity Guarantee Program (TLGP) are fully guaranteed by the FDIC for the entire amount in the account. The unlimited coverage through TLGP is effective until December 31, 2012. HPI maintains cash accounts at participating institutions and is benefiting from this full coverage while available.

**Restricted Cash** — HPI maintains separate cash or equivalent accounts for amounts required by agreement to be separately held. The Bill & Melinda Gates Foundation (“Gates Foundation”) grant payments toward the East Africa Dairy Development (“EADD”) project net of project expenditures are set aside in restricted cash along with associated investment earnings; the required HPI match fund of \$2.5 million is also restricted for the life of the EADD project. Restricted cash balances attributable to the EADD investment fund represent unspent investment fund cash on hand, with the remaining investment fund balances in property and equipment or receivables according to investment fund usage. (Refer to additional note regarding EADD below in “Contributions.”) Restricted cash also includes contributions temporarily restricted for capital construction and equipment along with any related investment earnings, as well as unallocated bond proceeds legally restricted to qualified project costs benefitting the Little Rock Headquarters campus.

**Investments and Investment Return** — Investments in equity and debt securities having readily determinable fair values are carried at fair value. Investment return includes dividend, interest and other investment income, and realized and unrealized gains and losses on investments.

Investment return, which is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year, is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

**Accounts Receivable** — Accounts receivable consist primarily of cash advances to various subgrantees (also referred to as project holders) of the Organization’s country programs. These advances are made under letters of agreement executed for project funding, and include detailed project budgets and requirements for programmatic and financial progress and routine reporting. As the project holders submit the required reports documenting the project spending, the advanced funds are then reflected in the statements of activities as program services expenses.

As of June 30, 2011, the Organization anticipated funding approximately \$55 million under various letters of agreement, which HPI plans to advance to subgrantees as projects progress. This amount includes approximately \$3 million of future funding under letters of agreement executed between HPI and related entities not included in the consolidated financial statements (programmatic entities on Table 2, page 8). The balance of \$52 million represents letters of agreement entered into with consolidated country offices (refer to Table 1 on page 7) which are working with farmer communities, both directly and through local project holders, to implement those planned projects. While the letters of agreement are developed based upon project budgets approved by the Organization, the actual timing, frequency and amounts of project funding disbursements are entirely contingent upon HPI’s availability of funds as well as on project holder compliance with programmatic, financial, and reporting requirements. HPI retains the sole discretion to determine funds availability and project holder compliance. Therefore, amounts represented by such letters of agreement are not recorded as Organization liabilities in the consolidated financial statements.

**Property and Equipment** — Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method based on estimated useful lives of 3 to 20 years for vehicles, furniture, fixtures, and equipment and 10 to 40 years for buildings and land improvements. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

**Capitalized Interest** — The Organization calculates interest to be capitalized as a cost of construction, based upon the weighted average of rates paid for long-term borrowings during the term of construction. For the fiscal years ended June 30, 2011 and 2010, approximately \$0 and \$43,300, respectively, of interest was capitalized to construction projects.

**Long-Lived Asset Impairment** — The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2011 and 2010.

**Refundable Advances** — Refundable advances consist primarily of deposits made in advance by participants for fee-based education programs, which generally consist of education program offerings through Heifer International Learning Centers.

**Temporarily and Permanently Restricted Net Assets** — Temporarily restricted net assets are those for which use has been limited by donors or grantors to a specific time period or purpose. HPI's temporarily restricted net assets also include the Organization's interest in the net assets of HIF, other than those HIF net assets classified as permanently restricted. While HPI's interest in the net assets of HIF is included in the Organization's financial statements, availability of this asset is limited by HIF bylaws and by HIF donor stipulation.

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. The Organization's permanently restricted assets are represented by net assets of HIF which have been restricted by donors to be maintained by the Foundation in permanent endowments. The Foundation accounts for endowments using the standards included in ASC Topic 958-205, *Not-for-Profit Entities — Presentation of Financial Statements and the Uniform Prudent Management of Institutional Funds Act* ("UPMIFA") which was adopted by the state of Arkansas in the 2009 legislative session to be effective July 31, 2009. UPMIFA was implemented by the Foundation for their fiscal year ending December 31, 2009. Likewise, HPI applied UPMIFA for the 2010 fiscal year with a retroactive application to July 1, 2009. Key provisions of the standards and UPMIFA are the removal of the historic dollar value concept in preserving endowment principal and expanded disclosures for all endowment funds (See Note 4).

**Contributions** — Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Gifts of land, buildings, equipment, and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

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

The Organization receives conditional promises to give, which are not recognized as revenue or included in receivables until such time as the conditions are substantially met. Conditional promises may be given by foundations, corporations, or government agencies desiring to partner with HPI in project funding. Such funding arrangements may take the form of grant awards, contribution agreements, cooperative agreements, relationship agreements, or memorandums of understanding. Common to each of these arrangements is that payments are contingent upon achieving significant monitored and reported progress in project implementation. While payments may be scheduled in accordance with a budget proposal, actual payments generally vary in timing and amount based upon the progress of project activities. As of June 30, 2011 and 2010, the Organization had approximately \$3,540,000, and \$19,300,000 outstanding of conditional promises to give.

In November 2007, the Global Development Program of the Bill & Melinda Gates Foundation awarded HPI a \$42,850,000 East Africa Dairy Development (“EADD”) grant for the period December 15, 2007 to December 31, 2011. Grant payments are contingent upon significant monitored and reported progress toward applicable milestones and as such have varied in timing and amount. HPI has recognized grant revenue as milestones are met, which typically approximate the time when payments have been received from the Gates Foundation. HPI’s management of the EADD project has been leveraged through subgrants to TechnoServe, the International Livestock Research Institute, Africa Breeders Services, and World Agroforestry Center, which are unrelated third parties.

Grant payments received for the years ended June 30, 2011, and 2010, were approximately \$18 million and \$8 million, respectively. The latest payment of approximately \$9 million was received in June, 2011, immediately preceding the close of HPI’s 2011 fiscal year end, concluding the payments under this award. Each payment has been recognized as temporarily restricted revenue as received and released from restriction as spent per the grant agreement. As of June 30, 2011, after considering the first \$2.5 million of the award which was segregated for the restricted use EADD investment fund, approximately \$31 million of the remaining EADD grant funding had been spent per agreement, leaving just under \$10 million of the Gates Foundation project funding in temporarily restricted net assets at the fiscal year end. As noted, the first \$2.5 million of the Gates Foundation grant was temporarily restricted to the EADD investment fund, and was doubled with the matching donations to that fund from HPI’s donors, for a total of over \$5 million temporarily restricted net assets in the EADD investment fund. Through the life of the project, investment fund usage will result in restricted cash held at a level lower than restricted net assets as such cash is used for equipping and financing chilling plants for farmer groups. Refer to subsequent events footnote 16 for additional information.

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

**Government Grants** — Support funded by grants is generally recognized as the Organization performs the agreed upon services and incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

**Income Taxes** — HPI is exempt from income taxes in the United States of America under Section 501 of the Internal Revenue Code and a similar provision of state law. While HPI is a tax- exempt organization, the Organization is still subject to income tax on any unrelated business taxable income. No tax liability was required to be recorded for unrelated business income as of June 30, 2011 and 2010. Under statute, the Organization’s tax returns are open to U.S. federal tax examinations up to 3 years from the date filed. Accordingly, HPI’s returns for fiscal years ending prior to June 30, 2007 are no longer subject to examination by tax authorities.

In June, 2006, the FASB issued guidance, Accounting for Uncertainty in Income Taxes, now codified with ASC Topic 740, Income Taxes providing guidance for recognizing and measuring tax positions in a tax return that may affect amounts reported in the financial statements. The Organization adopted this guidance for the fiscal year ended June 30, 2010 and noted no uncertain tax positions requiring adjustment to the financial statements to comply with the provisions of this guidance.

Certain countries in which HPI operates do not exempt charitable companies from taxes; therefore, HPI may be subject to taxes in those countries.

**Functional Allocation of Expenses** — The Organization’s expenses have been summarized on a functional basis in the consolidated statements of activities. Costs are directly allocated to functional categories where a clear relationship exists. HPI’s international field offices exist for the direct mission purpose of international development project implementation and management. Accordingly, all costs incurred by field offices are considered programmatic for purposes of functional allocation classification as reported in the consolidated statements of activities. Other costs incurred at the HPI headquarters level are allocated among program, management and general, and fund raising categories, directly where such relationship is clear, and otherwise based on time studies and other ratable allocation methods. The Organization conducts activities which jointly serve its education program objectives, as well as fundraising and general and administrative activities. These costs, which are not specifically attributable to a single function or activity (i.e., joint costs) are allocated among functional categories using systematic, consistently applied methods in accordance with FASB ASC 958-720-55, *Not-for-Profit Entities — Other Expenses — Accounting for Costs of Activities that Include Fundraising*.

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

**Recent Accounting Pronouncements** — On January 21, 2010, the FASB issued ASU 2010-06, which amends ASC 820 to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements related to Level 3 measurements. The ASU also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Further, the ASU amends guidance on employers’ disclosures about postretirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets. ASU is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Therefore, for HPI, the ASU requirements are effective for the fiscal years beginning July 1, 2010 and July 1, 2011, respectively. The Organization noted no material impact to its financial position or results of operations, nor anticipates any material financial statement impact.

The FASB also issued ASU 2011-04 - Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. These amendments result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. However, for many of the requirements, the FASB does not intend for such amendments to result in a change in the application of the requirements in Topic 820. Some of the amendments clarify the Board’s

intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments in this Update are to be applied prospectively. The amendments are effective for annual periods beginning after December 15, 2011, which for HPI is the fiscal year beginning July 1, 2012. This ASU is of particular interest to management as it is one of the steps toward aligning U.S. GAAP and IFRS, and many of the Organization's international country office entities are required to report in accordance with IFRS or local standards more closely aligned with IFRS than with U.S. GAAP.

## 2. INVESTMENTS AND INVESTMENT RETURN

Investments at June 30, 2011 and 2010 consisted of the following:

|                         | <b>2011</b>       |                             |                              |                                 |
|-------------------------|-------------------|-----------------------------|------------------------------|---------------------------------|
|                         | <u>Cost</u>       | <u>Unrealized<br/>Gains</u> | <u>Unrealized<br/>Losses</u> | <u>Estimated<br/>Fair Value</u> |
| Equity Securities       | \$ 46,822         | \$ 855                      | \$ -                         | \$ 47,677                       |
| Mutual Funds            | 106,084           | 3,149                       | (4,129)                      | 105,104                         |
| Certificates of Deposit | 88,026            | 5,334                       | -                            | 93,360                          |
|                         | <u>\$ 240,932</u> | <u>\$ 9,338</u>             | <u>\$ (4,129)</u>            | <u>\$ 246,141</u>               |

  

|                         | <b>2010</b>         |                             |                              |                                 |
|-------------------------|---------------------|-----------------------------|------------------------------|---------------------------------|
|                         | <u>Cost</u>         | <u>Unrealized<br/>Gains</u> | <u>Unrealized<br/>Losses</u> | <u>Estimated<br/>Fair Value</u> |
| Equity Securities       | \$ 1,401,757        | \$ 136,291                  | \$ (171,942)                 | \$ 1,366,106                    |
| Mutual Funds            | 427,663             | 1,858                       | (89,893)                     | 339,628                         |
| Certificates of Deposit | 98,851              | 6,630                       | -                            | 105,481                         |
|                         | <u>\$ 1,928,271</u> | <u>\$ 144,779</u>           | <u>\$ (261,835)</u>          | <u>\$ 1,811,215</u>             |

At June 30, 2011, the Organization held certificates of deposit totaling approximately \$93,000 which mature within one to five years, representing HPI's entire portfolio of certificates of deposit. At June 30, 2010, approximately \$93,000 and \$12,000 of certificates of deposit mature within one to five years and five to ten years, respectively.

In accordance with FASB ASC Topic 958-225-45-8, *Not for Profit Entities — Income Statement* gains and losses on investments shall be reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Unless gains and losses are temporarily or permanently restricted by a donor's explicit stipulation or by a law that extends a donor's restriction to them, gains and losses on investments of a donor-restricted endowment fund are recorded as changes in unrestricted net assets.

The composition of investment returns for the years ended June 30, 2011 and 2010 is as follows:

|  | <b>2011</b>       | <b>2010</b>       |
|--|-------------------|-------------------|
| Interest and dividend income           | \$ 31,306         | \$ 76,034         |
| Net realized gains                     | 215,399           | 247,833           |
| Net unrealized gains (losses)          | 114,833           | (117,056)         |
|  | <u>          </u> | <u>          </u> |
| Income from investments - unrestricted | <u>\$ 361,538</u> | <u>\$ 206,811</u> |

### 3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2011 and 2010 consisted of the following:

|                                     | <b>2011</b>         |                                   |                   |
|-------------------------------------|---------------------|-----------------------------------|-------------------|
|                                     | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total</b>      |
|                                     | <u>          </u>   | <u>          </u>                 | <u>          </u> |
| Due within one year                 | \$ -                | \$ 359,720                        | \$ 359,720        |
| Due within five years               | -                   | 795,000                           | 795,000           |
|                                     | <u>          </u>   | <u>          </u>                 | <u>          </u> |
|                                     | -                   | 1,154,720                         | 1,154,720         |
| Less:                               |                     |                                   |                   |
| Allowance for uncollectible pledges | -                   | 113,980                           | 113,980           |
| Unamortized Discount                | -                   | 92,857                            | 92,857            |
|                                     | <u>          </u>   | <u>          </u>                 | <u>          </u> |
|                                     | <u>\$ -</u>         | <u>\$ 947,883</u>                 | <u>\$ 947,883</u> |

|                                     | <b>2010</b>         |                                   |                   |
|-------------------------------------|---------------------|-----------------------------------|-------------------|
|                                     | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Total</b>      |
|                                     | <u>          </u>   | <u>          </u>                 | <u>          </u> |
| Due within one year                 | \$ 419,192          | \$ 129,078                        | \$ 548,270        |
| Due within five years               | -                   | 72,000                            | 72,000            |
|                                     | <u>          </u>   | <u>          </u>                 | <u>          </u> |
|                                     | 419,192             | 201,078                           | 620,270           |
| Less:                               |                     |                                   |                   |
| Allowance for uncollectible pledges | -                   | 21,708                            | 21,708            |
| Unamortized Discount                | -                   | 20,323                            | 20,323            |
|                                     | <u>          </u>   | <u>          </u>                 | <u>          </u> |
|                                     | <u>\$ 419,192</u>   | <u>\$ 159,047</u>                 | <u>\$ 578,239</u> |

#### 4. INTEREST IN NET ASSETS OF HEIFER INTERNATIONAL FOUNDATION

HPI and HIF are financially interrelated entities with a common mission. HIF seeks private support for and holds net assets on behalf of HPI and others. HIF's net assets include amounts that donors have stipulated be used for specified purposes of HPI, as well as amounts donors have stipulated be held in perpetuity with the income thereon to be used as specified by the donor. HIF transfers assets to HPI when approved by HIF's trustees. HPI's interest in the net assets of HIF is accounted for in a manner similar to the equity method of accounting. This interest is reflected as an asset on HPI's statements of financial position at an amount equal to HIF's net assets held for HPI. HPI's overall interest in net assets of HIF was \$57.9 million and \$46.1 million at June 30, 2011 and 2010, respectively.

The Organization records its change in interest in net assets of HIF after first taking into consideration the effect of any HIF distribution transactions during the year, as well as HPI transfers to the HIF endowment. Distributions from HIF to HPI are recognized by HPI as equity transfers decreasing the Organization's interest in the net assets of HIF. Conversely, transfers by HPI to the HIF endowment are recognized as increases to HPI's interest in net assets of HIF. During the years ended June 30, 2011 and 2010, HPI's interest in net assets of HIF increased by \$11.8 million and \$6.1 million, respectively. The components of HPI's net increase in interest in net assets of HIF can be summarized as follows:

|   | 2011                 | 2010                 |
|---|----------------------|----------------------|
| Beginning Balance, July 1                           | \$ 46,119,994        | \$ 40,071,708        |
| HIF Distributions to HPI                            | (771,669)            | (1,692,077)          |
| Undesignated Bequests Transferred                   | 3,110,693            | 3,206,595            |
| HPI's Change in Interest in Net Assets of HIF       | 9,452,074            | 4,533,768            |
| Net Increase in HPI's Interest in Net Assets of HIF | <u>11,791,098</u>    | <u>6,048,286</u>     |
| Ending Balance, June 30                             | <u>\$ 57,911,092</u> | <u>\$ 46,119,994</u> |

HPI's statements of activities for the years ended June 30, 2011 and June 30, 2010, reflect a revenue impact of \$9.5 million and \$4.5 million, respectively. The net impact attributable to the equity transactions are \$2.3 million and \$1.5 million, respectively; these figures consider Foundation distributions to HPI as well as HPI transfers to the Foundation's endowment, which are described below.

The Organization and HIF both receive contributions in the form of testamentary bequests wherein HPI is named beneficiary. Unless otherwise restricted by the donor, such bequests are accounted for as unrestricted contributions to HPI. In keeping with Organization policy, HPI periodically transfers these funds to HIF as restricted contributions to HIF's permanent endowments. Such unrestricted revenue was recorded by the Organization and contributed to the HIF endowment amounting to \$3.1 million and \$3.2 million for the years ended June 30, 2011 and 2010, respectively. HPI's contributions to the HIF endowment are recorded through the Organization's interest in net assets of HIF. HPI recognizes that such transfers to the HIF endowment do not meet FASB's definition of a contribution as per ASC Topic 958-605-20 since HPI is ultimately the beneficiary of the transfers. However, they do qualify as donor-restricted additions to HIF's endowment under the legal standards of UPMIFA as codified in Arkansas Code Annotated ("ACA") §28-69-801 and following, especially ACA §28-69-802 and §28-69-804 (along with the Uniform Law Comments thereto). As required by law, HIF recognizes these transfers as donor-restricted increases to its permanent endowment fund, and thus its permanent net assets. To ensure a

meaningful financial statement presentation, HPI management has elected to retain HIF's permanent net asset classification for these funds in recognizing the Organization's change in interest in net assets of HIF.

HPI's permanently restricted net assets reflect the Foundation's permanently restricted net assets which are to be held and invested in perpetuity with the income thereon to be used as specified by the donor. Increases in HIF's permanently restricted net assets, therefore, increase HPI's permanently restricted net assets. The Foundation recorded permanently restricted net assets at June 30, 2011 and 2010 of \$59.5 million and \$55.6 million, respectively; these amounts are therefore reflected in HPI's permanently restricted net assets. In accordance with ASC Topic 958-205-45, Losses of an Endowment Fund, investment losses on permanently restricted net assets are recorded in unrestricted net assets by both HPI and HIF. As investment losses are recovered, unrestricted net assets are increased accordingly. During HPI's fiscal years ended June 30, 2011 and 2010, approximately \$7.8 million and \$2.1 million, respectively was released from temporary restriction to increase HPI's unrestricted net assets for partial recovery of losses recorded in prior years. The remainder of the loss balance which reduced HPI's unrestricted net assets in prior years and which is yet to be recovered is approximately \$564,000 at June 30, 2011.

## 5. PROPERTY AND EQUIPMENT

Property and equipment is carried at cost, net of accumulated depreciation, and at June 30, 2011 and 2010, consisted of the following

|                                   | <b>2011</b>          | <b>2010</b>          |
|-----------------------------------|----------------------|----------------------|
| Land and Improvements             | \$ 11,973,520        | \$ 11,865,894        |
| Buildings                         | 45,181,022           | 45,047,497           |
| Vehicles                          | 6,745,511            | 6,817,998            |
| Furniture, fixtures and equipment | 12,086,222           | 13,081,127           |
| Construction in progress          | 1,163,676            | 815,439              |
|                                   | <u>77,149,951</u>    | <u>77,627,955</u>    |
| Less accumulated depreciation     | 21,935,879           | 19,576,644           |
|                                   | <u>\$ 55,214,072</u> | <u>\$ 58,051,311</u> |
| EADD project equipment            | 2,304,608            | 1,902,680            |
|                                   | <u>\$ 57,518,680</u> | <u>\$ 59,953,991</u> |

HPI capitalizes acquisitions of property and equipment with consideration to thresholds for useful life and amount. The Organization's capitalization thresholds vary by type of asset and location, with minimum amounts ranging between \$5,000 and \$10,000 and minimum useful lives between 3 and 10 years.

Depreciation expense amounted to approximately \$4.4 million and \$4.6 million for the years ended June 30, 2011 and 2010 of which approximately \$1.3 million and \$1.5 million, respectively, relates to the depreciation expense recorded by Country Programs. Costs, including depreciation expenses, incurred at

the country-office level are included in program services costs from grants and field operations as disclosed in Note 11.

Included in property and equipment at June 30, 2011 and 2010, is approximately \$2.3 million and \$1.9 million, respectively, of chilling plant equipment procured with the EADD grant. Under the agreement with the Gates Foundation, the EADD project investment fund was established to provide a source of funding for initial procurement of chilling plant equipment, funding for and then for guarantee of loan financing to local farmer associations. The Organization expects EADD project equipment will be sold to local farmer associations as those groups secure funding.

## 6. LINES OF CREDIT

HIF has provided the Organization with a revolving line of credit of \$8.0 million. This credit facility has flexible credit terms and is based on the prime rate at the time of borrowings. At June 30, 2011 and 2010, there were no loans outstanding on this line of credit.

## 7. BONDS PAYABLE

|                                     | 2011                 | 2010                 |
|-------------------------------------|----------------------|----------------------|
| Bonds payable - outstanding balance | \$ 17,430,000        | \$ 18,380,000        |
| Less current maturities             | 985,000              | 950,000              |
| Long term balance                   | <u>\$ 16,445,000</u> | <u>\$ 17,430,000</u> |

**Bond Issuance** — In December 2008, the City of Little Rock (the “City”), Arkansas (Heifer Project International) Public Facilities Board issued \$5.7 million Series 2008A Revenue Bonds and \$4.3 million Series 2008B Revenue Bonds. On December 4, 2008, the Organization entered into a contract with the City to service these bonds in accordance with terms of the Bond Purchase Agreement. The 2008A bonds bear interest at a variable rate equal to the 30 day LIBOR plus a spread not to exceed 6.25% per annum. Interest is payable semi-annually plus principal of \$285,000 due annually through December 1, 2018. The 2008B bonds bear interest at a fixed rate of 4.80%, due semi-annually plus annual principal reduction payments of various amounts through December 1, 2023. In February 2009, \$9.3 million Series 2009 Revenue Bonds were issued. The 2009 bonds bear interest at a fixed rate of 4.80%, due semi-annually plus annual principal reduction payments of various amounts through February 1, 2024. Proceeds from the issuance of these bonds are used to finance and refinance the Organization’s capital improvements. This debt is collateralized by a lien and security interest in this same mortgaged property including underlying real estate. All bonds are tax-exempt.

In connection with the loan agreement, the Organization is required, to comply with certain conditions, including the maintenance of a debt service coverage ratio of 1.15:1.0, and unrestricted, unencumbered liquid assets of not less than one hundred percent of the outstanding debt. The Organization was in compliance with these financial covenants for the years ended June 30, 2011 and 2010.

Aggregate annual maturities of bonds payable at June 30, 2011, are due as follows during fiscal years ending June 30:

|            |               |
|------------|---------------|
| 2012       | 985,000       |
| 2013       | 1,015,000     |
| 2014       | 1,055,000     |
| 2015       | 1,090,000     |
| 2016       | 1,130,000     |
| Thereafter | 12,155,000    |
|            | \$ 17,430,000 |

## 8. NET ASSETS

**Temporarily Restricted Net Assets** — Temporarily restricted net assets at June 30, 2011 and 2010 were available for the following purposes:

|                                    | <b>2011</b>   | <b>2010</b>   |
|------------------------------------|---------------|---------------|
| Country and international programs | \$ 28,762,408 | \$ 16,696,175 |
| Interest in net assets of HIF      | 2,900,581     | 2,028,902     |
|                                    | \$ 31,662,989 | \$ 18,725,077 |

**Permanently Restricted Net Assets** — Permanently restricted net assets at June 30, 2011 and 2010 were restricted to:

|  | <b>2011</b>   | <b>2010</b>   |
|--|---------------|---------------|
| Investment in perpetuity, the income of which is expendable to support certain activities of HPI and HIF | \$ 59,488,857 | \$ 55,645,240 |
|  | \$ 59,488,857 | \$ 55,645,240 |

**Net Assets Released from Restrictions** — Net assets were released from donor restrictions after incurring expenses satisfying the restricted purposes.

|                                    | <b>2011</b>   | <b>2010</b>   |
|------------------------------------|---------------|---------------|
| Purpose restrictions accomplished: |               |               |
| Country and international programs | \$ 12,886,756 | \$ 14,904,162 |
| Buildings and equipment            | 81,271        | 419,970       |
| HIF prior year loss recovery       | 7,847,471     | 2,085,320     |
|                                    | \$ 20,815,498 | \$ 17,409,452 |

## 9. OPERATING LEASES

The Organization has entered into noncancellable operating leases expiring in 2012 through 2016 representing leases for office space. Future minimum lease payments at June 30, 2011, were as follows:

|                              | <b>U.S. Offices</b> | <b>International<br/>Offices</b> | <b>Total</b>      |
|------------------------------|---------------------|----------------------------------|-------------------|
| <b>Years ending June 30,</b> |                     |                                  |                   |
| 2012                         | \$ 42,650           | \$ 290,941                       | \$ 333,591        |
| 2013                         | -                   | 162,403                          | 162,403           |
| 2014                         | -                   | 125,572                          | 125,572           |
| 2015                         | -                   | 82,205                           | 82,205            |
| 2016                         | -                   | 13,596                           | 13,596            |
| Thereafter                   | -                   | -                                | -                 |
|                              | <u>\$ 42,650</u>    | <u>\$ 674,717</u>                | <u>\$ 717,367</u> |

Rental expense for all HPI U.S. operating leases was \$238,652 and \$245,876 for the years ended June 30, 2011 and 2010, respectively. Many of the Organization's international country offices lease office space, which amounted to approximately \$336,000 for the year ended June 30, 2011.

## 10. RETIREMENT PLAN

The Organization sponsored two defined contribution retirement plans during the 2011 and 2010 audited periods: a 403(b) plan and a non-qualified offshore retirement plan. All U.S. based employees are eligible for the 403(b) plan. Certain Country Directors who are based in international countries are participants in the non-qualified offshore retirement plan. A ten percent employer contribution was made to the 403(b) plan during both the 2011 and 2010 fiscal years. A ten percent contribution was made to the non-qualified offshore retirement plan during both the 2011 and 2010 fiscal years. All contributions are based on the gross salaries of each participant in the plan. The Organization's retirement plan expenses for the two plans totaled \$1,637,991 and \$1,524,257 for the years ended June 30, 2011 and 2010, respectively.

## 11. FUNCTIONAL EXPENSES

The Organization classified expenses functionally for the years ended June 30, 2011 and 2010, as follows:

|   | <b>2011</b>                 |                      |                                   |                       |
|---|-----------------------------|----------------------|-----------------------------------|-----------------------|
|   | <b>Program<br/>Services</b> | <b>Fund Raising</b>  | <b>Management<br/>and General</b> | <b>Total Expenses</b> |
| Program Costs - grants and field operations       | \$ 60,756,781               | \$ -                 | \$ -                              | \$ 60,756,781         |
| Program Costs - materials                         | 207,106                     | -                    | -                                 | 207,106               |
| Salaries and wages                                | 8,855,867                   | 3,662,200            | 3,029,592                         | 15,547,659            |
| Payroll taxes                                     | 623,404                     | 271,986              | 211,629                           | 1,107,019             |
| Retirement plan contributions                     | 977,290                     | 359,944              | 300,757                           | 1,637,991             |
| Other employee benefits                           | 1,117,131                   | 449,023              | 377,457                           | 1,943,611             |
| Other personnel expenses                          | 428,944                     | 351,078              | 211,031                           | 991,053               |
| Volunteer expenses                                | 268,377                     | 3,240                | 223                               | 271,840               |
| Travel  | 1,588,149                   | 368,165              | 201,011                           | 2,157,325             |
| Conferences and meetings                          | 175,325                     | 64,052               | 33,759                            | 273,136               |
| Occupancy   | 851,167                     | 333,596              | 292,673                           | 1,477,436             |
| Equipment - minor purchases, rentals, maintenance | 271,258                     | 328,950              | 543,128                           | 1,143,336             |
| Supplies  | 274,597                     | 58,130               | 66,306                            | 399,033               |
| Printing and other media expense                  | 2,271,787                   | 4,258,335            | 62,717                            | 6,592,839             |
| Marketing and promotion expense                   | 408,274                     | 2,682,850            | 72,488                            | 3,163,612             |
| Accounting and audit fees                         | 639,823                     | -                    | 314,780                           | 954,603               |
| Legal fees  | 160,199                     | 45,402               | 151,524                           | 357,125               |
| Other professional and consulting fees            | 1,942,649                   | 4,638,833            | 388,330                           | 6,969,812             |
| Property and casualty insurance                   | 248,306                     | 66,776               | 94,787                            | 409,869               |
| Communications charges                            | 253,099                     | 119,028              | 88,811                            | 460,938               |
| Postage, shipping and freight                     | 1,839,292                   | 3,967,224            | 39,978                            | 5,846,494             |
| Depreciation                                      | 1,794,315                   | 1,033,782            | 362,089                           | 3,190,186             |
| Other expenses                                    | 184,304                     | 785,097              | 778,303                           | 1,747,704             |
| <b>Total Expenses and Losses</b>                  | <b>\$ 86,137,444</b>        | <b>\$ 23,847,691</b> | <b>\$ 7,621,373</b>               | <b>\$ 117,606,508</b> |

(continued)

**FUNCTIONAL EXPENSES** (footnote continued from previous page)

|   | <b>2010</b>                 |                      |                                   |                       |
|---|-----------------------------|----------------------|-----------------------------------|-----------------------|
|   | <b>Program<br/>Services</b> | <b>Fund Raising</b>  | <b>Management<br/>and General</b> | <b>Total Expenses</b> |
| Program Costs - grants and field operations       | \$ 58,575,891               | \$ -                 | \$ -                              | \$ 58,575,891         |
| Program Costs - materials                         | 641,384                     | -                    | -                                 | 641,384               |
| Salaries and wages                                | 8,115,677                   | 3,379,144            | 2,865,151                         | 14,359,972            |
| Payroll taxes                                     | 636,925                     | 248,234              | 195,314                           | 1,080,473             |
| Retirement plan contributions                     | 898,774                     | 340,512              | 284,971                           | 1,524,257             |
| Other employee benefits                           | 1,117,638                   | 433,227              | 357,641                           | 1,908,506             |
| Other personnel expenses                          | 257,930                     | 242,588              | 93,510                            | 594,028               |
| Volunteer expenses                                | 264,869                     | 4,086                | 145                               | 269,100               |
| Travel  | 1,385,720                   | 264,774              | 150,342                           | 1,800,836             |
| Conferences and meetings                          | 109,324                     | 55,676               | 28,503                            | 193,503               |
| Occupancy   | 833,447                     | 373,295              | 269,497                           | 1,476,239             |
| Equipment - minor purchases, rentals, maintenance | 246,815                     | 219,372              | 547,658                           | 1,013,845             |
| Supplies  | 296,453                     | 52,742               | 83,070                            | 432,265               |
| Printing and other media expense                  | 2,711,531                   | 5,248,271            | 77,137                            | 8,036,939             |
| Marketing and promotion expense                   | 975,913                     | 1,763,230            | 42,463                            | 2,781,606             |
| Accounting and audit fees                         | 446,458                     | -                    | 489,728                           | 936,186               |
| Legal fees  | 112,431                     | 39,178               | 156,907                           | 308,516               |
| Other professional and consulting fees            | 1,933,166                   | 4,248,180            | 370,021                           | 6,551,367             |
| Property and casualty insurance                   | 257,288                     | 70,187               | 99,825                            | 427,300               |
| Communications charges                            | 191,629                     | 104,218              | 60,509                            | 356,356               |
| Postage, shipping and freight                     | 1,786,737                   | 3,566,616            | 33,072                            | 5,386,425             |
| Depreciation                                      | 1,758,586                   | 1,035,017            | 383,941                           | 3,177,544             |
| Other expenses                                    | 186,905                     | 816,973              | 818,598                           | 1,822,476             |
| Total Expenses and Losses                         | <u>\$ 83,741,491</u>        | <u>\$ 22,505,520</u> | <u>\$ 7,408,003</u>               | <u>\$ 113,655,014</u> |

(concluded)

## 12. ALLOCATION OF JOINT COSTS

HPI conducts activities that include requests for contributions, as well as program and management and general components. Those activities include combined educational campaigns and fund raising solicitations through monthly and annual appeals. The appeals include solicitations, as well as educational material that further a non-fundraising, education program mission purpose of the Organization. For the years ended June 30, 2011 and 2010, the costs of conducting these appeals included a total of \$10,990,008 and \$14,088,307, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

|                        | 2011                 | 2010                 |
|------------------------|----------------------|----------------------|
| Fund raising           | \$ 6,473,407         | \$ 8,673,622         |
| Education programs     | 4,432,146            | 5,342,779            |
| Management and general | 84,455               | 71,906               |
|                        | <u>\$ 10,990,008</u> | <u>\$ 14,088,307</u> |

## 13. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC Topic 820, *Fair Value Measurements* defines fair value as the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Topic 820 requires certain assets and liabilities to be presented within the fair value hierarchy. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the observability of inputs as follows:

*Level 1* — Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

*Level 2* — Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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

*Cash and Cash Equivalents* — The carrying amount is a reasonable estimate of fair value due to the short-term nature of these assets.

*Contributions Receivable* — The carrying amount is a reasonable estimate of fair value for short-term receivables. Pledges receivable are reported at the net present value of expected future cash flows and are further reduced by an allowance for doubtful pledges. This reporting involves significant judgments by

management as well as uncertainties. Accordingly, contributions receivable are classified by management as Level 3 assets in the fair value hierarchy.

*Restricted Cash and Interest in Net Assets of Heifer International Foundation* — Such assets are carried on the consolidated balance sheets at estimated fair value which is based on quotes from published market sources.

*Investments* – Investments are carried on the consolidated balance sheets at estimated fair value. All available-for-sale investments have readily determinable fair values as determined by the quoted prices in active markets for identical assets, using the market approach. The estimated fair value of these securities represents market price multiplied by the quantity held. Accordingly, all investments are classified by management as Level 1 assets in the fair value hierarchy.

*Bonds Payable* — The carrying amount of bonds payable is a reasonable estimate of fair value as interest accrues at a rate tied to the monthly LIBOR for the Series 2008A \$5.7 million revenue bonds and at a fixed 4.8% rate for the Series 2008B \$4.3 million and Series 2009 \$9.3 million revenue bonds.

The estimated fair values of the Organization’s financial instruments at June 30, 2011 and 2010 are as follows:

|   | <b>2011</b>   | <b>2010</b>   |
|---|---------------|---------------|
| Financial assets:   |               |               |
| Cash and cash equivalents                                 | \$ 43,358,795 | \$ 38,442,609 |
| Restricted cash   | 14,690,411    | 9,706,325     |
| Investments   | 246,141       | 1,811,215     |
| Contributions receivable                                  | 947,883       | 578,239       |
| Interest in net assets of Heifer International Foundation | 57,911,092    | 46,119,994    |
| Financial liabilities: long-term debt                     | 17,430,000    | 18,380,000    |

#### **14. SIGNIFICANT ESTIMATES AND CONCENTRATIONS**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

*Assets Maintained in Foreign Countries* — The Organization maintains significant assets in the countries in which it operates. These assets generally are comprised of cash and property and equipment that are used in programs. At June 30, 2011 and 2010, cash balances totaling approximately \$7.5 million and \$7.3 million were held by banks in foreign countries, and property and equipment with a net book value of approximately \$5.6 million and \$5.9 million, respectively, was held by foreign program offices.

Cash balances that are held in the denominations of the foreign country are subject to valuation adjustments based on exchange rates in effect at any given time. These cash accounts are not insured by the Federal Deposit Insurance Corporation and may not be insured by any other means. Transfers of funds back to the United States may be restricted due to local market conditions or the laws governing such transactions in the country where the assets are maintained.

**15. CONTINGENCIES**

The Organization is a party to certain legal proceedings arising in the normal course of business. Management believes the ultimate outcome of pending legal matters will not be material to the financial condition and future operations of the Organization. Liability insurance is maintained as coverage against risks arising in the normal course of its business.

**16. SUBSEQUENT EVENTS**

In accordance with FASB ASC Topic 855, the Organization evaluated subsequent events through November 4, 2011, and presents the following subsequent events disclosures.

On July 25, 2011, Fonds Danone pour l’Ecosystème (Danone) and International Charitable Organization “Community Wellbeing” (Heifer Ukraine) signed Cooperation and Contribution Agreements for the project “Cooperative Learning Farm and Services.” With the Contribution Agreement, Danone committed €70,000 (approximately \$921,000 as of the date of this report), and paid to Heifer Ukraine the first €250,000 prior to the date of this report. Payment of the remaining €420,000 is fully contingent upon significant monitored and reported progress by Heifer Ukraine toward key project milestones and deliverables.

HPI is working with the Bill and Melinda Gates Foundation and the EADD Phase 1 consortium of subgrantees to develop an EADD Phase 2 proposal to span 2012 - 2017. EADD Phase 2 will build upon the EADD Phase 1 project and expand the geographic and impact reach of this work. No award has yet been granted. In the meantime, on October 17, 2011 the Gates Foundation granted HPI a no-cost extension for EADD Phase 1 to June 30, 2012, thereby extending the timing for project implementation beyond the original December 31, 2011 date. EADD Phase 1 parties are also working toward securing additional funding for this extended project work.

In July 2011, HPI closed its Indonesia country program office. The Organization will continue project funding and oversight through to completion for all active Heifer projects in the country. Project funding will be provided by HPI’s headquarters directly to third party project holders.

In September 2011, at the annual meeting of the Clinton Global Initiative, the Organization committed to the development of a five year \$18.7 million Rural Entrepreneurs for Agricultural Cooperation (REACH) project in Haiti. This major project is planned for the period January 2012 through December 2016 with a year one budget of approximately \$2.4 million.

\* \* \* \* \*



## **SUPPLEMENTAL SCHEDULES**

**HEIFER PROJECT INTERNATIONAL**  
**CONSOLIDATING SCHEDULE - STATEMENT OF FINANCIAL POSITION**  
As of June 30, 2011

|   | <u>Headquarters</u>   | <u>Africa</u>       | <u>Asia and<br/>South Pacific</u> | <u>Americas</u>     | <u>Central and<br/>Eastern Europe</u> | <u>Eliminations</u>   | <u>Total</u>          |
|---|-----------------------|---------------------|-----------------------------------|---------------------|---------------------------------------|-----------------------|-----------------------|
| <b>Assets</b>   |                       |                     |                                   |                     |                                       |                       |                       |
| Cash and Cash Equivalents                                 | \$ 35,855,705         | \$ 3,336,400        | \$ 1,068,577                      | \$ 1,288,545        | \$ 1,809,568                          | \$ -                  | \$ 43,358,795         |
| Restricted Cash   | 14,690,411            | -                   | -                                 | -                   | -                                     | -                     | 14,690,411            |
| Accounts and Interest Receivable                          | 114,273               | 1,074,317           | 1,447,278                         | 705,221             | 314,875                               | -                     | 3,655,964             |
| Grant Reimbursements Receivable                           | 421,849               | -                   | -                                 | -                   | -                                     | -                     | 421,849               |
| Prepaid Expenses and Other                                | 979,799               | 209,634             | 25,215                            | 103,225             | 71,072                                | -                     | 1,388,945             |
| Investments   | 246,141               | -                   | -                                 | -                   | -                                     | -                     | 246,141               |
| Contributions Receivable                                  | 947,883               | -                   | -                                 | -                   | -                                     | -                     | 947,883               |
| Interest in Net Assets of Heifer International Foundation | 57,911,092            | -                   | -                                 | -                   | -                                     | -                     | 57,911,092            |
| Property and Equipment, net of accumulated depreciation   | 53,910,417            | 2,079,949           | 1,157,696                         | 905,825             | 1,408,065                             | (1,943,272)           | 57,518,680            |
| Total Assets  | <u>\$ 165,077,570</u> | <u>\$ 6,700,300</u> | <u>\$ 3,698,766</u>               | <u>\$ 3,002,816</u> | <u>\$ 3,603,580</u>                   | <u>\$ (1,943,272)</u> | <u>\$ 180,139,760</u> |
| <b>Liabilities and Net Assets</b>                         |                       |                     |                                   |                     |                                       |                       |                       |
| <b>Liabilities</b>  |                       |                     |                                   |                     |                                       |                       |                       |
| Accounts Payable  | \$ 931,710            | \$ 631,453          | \$ 57,054                         | \$ 418,859          | \$ 32,788                             | \$ -                  | \$ 2,071,864          |
| Accrued Expenses  | 2,402,498             | 431,209             | 220,190                           | 184,787             | 72,994                                | -                     | 3,311,678             |
| Refundable Advances                                       | 580,353               | -                   | -                                 | 102,457             | -                                     | -                     | 682,810               |
| Bonds Payable   | 17,430,000            | -                   | -                                 | -                   | -                                     | -                     | 17,430,000            |
| Total Liabilities   | <u>21,344,561</u>     | <u>1,062,662</u>    | <u>277,244</u>                    | <u>706,103</u>      | <u>105,782</u>                        | <u>-</u>              | <u>23,496,352</u>     |
| <b>Net Assets</b>   |                       |                     |                                   |                     |                                       |                       |                       |
| Unrestricted  | 54,288,764            | 4,349,022           | 3,421,522                         | 2,296,713           | 3,078,813                             | (1,943,272)           | 65,491,562            |
| Temporarily Restricted                                    | 29,955,388            | 1,288,616           | -                                 | -                   | 418,985                               | -                     | 31,662,989            |
| Permanently Restricted                                    | 59,488,857            | -                   | -                                 | -                   | -                                     | -                     | 59,488,857            |
| Total Net Assets  | <u>143,733,009</u>    | <u>5,637,638</u>    | <u>3,421,522</u>                  | <u>2,296,713</u>    | <u>3,497,798</u>                      | <u>(1,943,272)</u>    | <u>156,643,408</u>    |
| Total Liabilities and Net Assets                          | <u>\$ 165,077,570</u> | <u>\$ 6,700,300</u> | <u>\$ 3,698,766</u>               | <u>\$ 3,002,816</u> | <u>\$ 3,603,580</u>                   | <u>\$ (1,943,272)</u> | <u>\$ 180,139,760</u> |

# HEIFER PROJECT INTERNATIONAL

## CONSOLIDATING SCHEDULE - STATEMENT OF ACTIVITIES (UNRESTRICTED ONLY)

For the Year Ended June 30, 2011

|  | <u>Headquarters</u>  | <u>Africa</u>       | <u>Asia and<br/>South Pacific</u> | <u>Americas</u>     | <u>Central and<br/>Eastern Europe</u> | <u>Eliminations</u>   | <u>Total</u>         |
|--|----------------------|---------------------|-----------------------------------|---------------------|---------------------------------------|-----------------------|----------------------|
| <b>Revenues, Gains and Other Support</b>                               |                      |                     |                                   |                     |                                       |                       |                      |
| Contributions  | \$ 91,315,591        | \$ 14,281,603       | \$ 8,597,242                      | \$ 12,318,158       | \$ 5,876,799                          | \$ (40,945,340)       | \$ 91,444,053        |
| Federal Government Grants  | 441,773              | -                   | -                                 | -                   | -                                     | -                     | 441,773              |
| Other Grants   | 5,000                | -                   | -                                 | -                   | -                                     | -                     | 5,000                |
| Investment Return  | 361,538              | -                   | -                                 | -                   | -                                     | -                     | 361,538              |
| Educational Programs   | 1,472,118            | -                   | -                                 | -                   | -                                     | -                     | 1,472,118            |
| Promotional Events and Material Sales,<br>net of cost                  | 330,245              | -                   | -                                 | -                   | -                                     | -                     | 330,245              |
| Other  | 245,594              | 353,953             | 91,848                            | 40,289              | 42,860                                | -                     | 774,544              |
| Change in Interest in Net Assets of<br>Heifer International Foundation | 4,736,778            | -                   | -                                 | -                   | -                                     | -                     | 4,736,778            |
| Net Assets Released from Restrictions                                  | 14,974,368           | 4,420,460           | -                                 | -                   | 1,420,670                             | -                     | 20,815,498           |
| <b>Total Revenues, Gains and Other Support</b>                         | <u>113,883,005</u>   | <u>19,056,016</u>   | <u>8,689,090</u>                  | <u>12,358,447</u>   | <u>7,340,329</u>                      | <u>(40,945,340)</u>   | <u>120,381,547</u>   |
| <b>Expenses and Losses</b>   |                      |                     |                                   |                     |                                       |                       |                      |
| Program Services   | 79,854,989           | 20,182,250          | 9,115,272                         | 11,058,746          | 6,960,926                             | (41,034,739)          | 86,137,444           |
| Fund Raising   | 23,847,691           | -                   | -                                 | -                   | -                                     | -                     | 23,847,691           |
| Management and General   | 7,621,373            | -                   | -                                 | -                   | -                                     | -                     | 7,621,373            |
| <b>Total Expenses and Losses</b>                                       | <u>111,324,053</u>   | <u>20,182,250</u>   | <u>9,115,272</u>                  | <u>11,058,746</u>   | <u>6,960,926</u>                      | <u>(41,034,739)</u>   | <u>117,606,508</u>   |
| <b>Change in Net Assets from Operations</b>                            | 2,558,952            | (1,126,234)         | (426,182)                         | 1,299,701           | 379,403                               | 89,399                | 2,775,039            |
| <b>Other Changes in Net Assets</b>                                     |                      |                     |                                   |                     |                                       |                       |                      |
| South Africa LSE Deconsolidation Adjustment                            | -                    | -                   | -                                 | -                   | -                                     | -                     | -                    |
| Foreign Currency Translation Adjustment                                | -                    | (322,465)           | 89,076                            | (65,105)            | (87,221)                              | -                     | (385,715)            |
| <b>Total Changes in Net Assets</b>                                     | <u>2,558,952</u>     | <u>(1,448,699)</u>  | <u>(337,106)</u>                  | <u>1,234,596</u>    | <u>292,182</u>                        | <u>89,399</u>         | <u>2,389,324</u>     |
| <b>Net Assets, Beginning of Year</b>                                   | <u>51,729,812</u>    | <u>5,797,721</u>    | <u>3,758,628</u>                  | <u>1,062,117</u>    | <u>2,786,631</u>                      | <u>(2,032,671)</u>    | <u>63,102,238</u>    |
| <b>Net Assets, End of Year</b>   | <u>\$ 54,288,764</u> | <u>\$ 4,349,022</u> | <u>\$ 3,421,522</u>               | <u>\$ 2,296,713</u> | <u>\$ 3,078,813</u>                   | <u>\$ (1,943,272)</u> | <u>\$ 65,491,562</u> |