

GLOBAL HERITAGE FUND

DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

Global Heritage Fund

Independent Auditors' Report and Consolidated Financial Statements

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BOARD OF DIRECTORS
GLOBAL HERITAGE FUND
San Francisco, California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the **Global Heritage Fund** which comprise the consolidated statement of financial position as of December 31, 2015, the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Global Heritage Fund as of December 31, 2015, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The consolidated financial statements of the Global Heritage Fund, as of and for the year ended December 31, 2014 were audited by another firm whose report dated September 29, 2015 expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hood & Strong LLP

San Francisco, California
January 30, 2017

Global Heritage Fund

Consolidated Statement of Financial Position

<i>December 30, 2015 (with comparative totals for 2014)</i>	2015	2014
Assets		
Current Assets:		
Cash and cash equivalents	\$ 639,130	\$ 700,030
Pledges receivable	470,843	1,099,906
Other current assets	40,180	7,947
Total current assets	1,150,153	1,807,883
Pledges Receivable, net of current portion	343,333	540,000
Property and Equipment, net	8,819	1,873
Total assets	\$ 1,502,305	\$ 2,349,756
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other current liabilities	\$ 192,103	\$ 57,020
Total liabilities	192,103	57,020
Net Assets:		
Unrestricted (deficit)	(7,450)	69,351
Temporarily restricted	1,317,652	2,223,385
Total net assets	1,310,202	2,292,736
Total liabilities and net assets	\$ 1,502,305	\$ 2,349,756

See accompanying notes to the consolidated financial statements.

Global Heritage Fund

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2015 (with comparative totals for 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and Support:				
Contributions	\$ 621,226	\$ 643,056	\$ 1,264,282	\$ 3,131,385
Other revenue	9,184		9,184	
Net assets released from restrictions	1,548,789	(1,548,789)		
Total revenues and support	2,179,199	(905,733)	1,273,466	3,131,385
Expenses:				
Program services	1,513,797		1,513,797	1,719,383
Fundraising	387,811		387,811	669,462
Management and general	354,392		354,392	192,577
Total expenses	2,256,000		2,256,000	2,581,422
Change in Net Assets	(76,801)	(905,733)	(982,534)	549,963
Net Assets - Beginning of year	69,351	2,223,385	2,292,736	1,742,773
Net Assets - End of year	\$ (7,450)	\$ 1,317,652	\$ 1,310,202	\$ 2,292,736

See accompanying notes to the consolidated financial statements.

Global Heritage Fund

Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2015 (with comparative totals for 2014)</i>	2015	2014
Cash Flows from Operating Activities:		
Change in net assets	\$ (982,534)	\$ 549,963
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	1,506	3,412
Changes in operating assets and liabilities:		
Pledges receivables	825,730	(276,455)
Other current assets	(32,233)	(2,175)
Accounts payable and other current liabilities	135,083	(28,054)
Net cash (used) provided by operating activities	(52,448)	246,691
Cash Flows from Investing Activities:		
Purchases of property and equipment	(8,452)	-
Net cash used by investing activities	(8,452)	-
Net Change in Cash and Cash Equivalents	(60,900)	246,691
Cash and Cash Equivalents - Beginning of year	700,030	453,339
Cash and Cash Equivalents - End of year	\$ 639,130	\$ 700,030

See accompanying notes to the consolidated financial statements.

Global Heritage Fund

Notes to Consolidated Financial Statements

Note 1 - Organization:

Global Heritage Fund (the Organization) is a nonprofit public benefit organization with the mission to sustainably preserve the most significant and endangered cultural heritage sites in developing regions of the world. The Organization is based in San Francisco, California and since its founding in 2002, has raised over \$40 million in the United States to preserve almost 30 sites in more over 20 countries. GHF primarily works with other nonprofit organizations on heritage preservation and community development projects around the world. GHF's success is measured by both its preservation and socio-economic development impacts.

Note 2 - Summary of Significant Accounting Policies:

a. Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and its subsidiary in Hong Kong, Global Heritage Fund Asia Limited (GHF Asia). GHF Asia was incorporated in May 2014 to assist with existing projects in the Asia region and for fundraising efforts. As of December 31, 2015 GHF Asia did not yet have any assets and operations were still in the development stages.

b. Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets – Net assets for which there are no donor-imposed restrictions or such donor-imposed restrictions were temporary and expired during the current or previous years.

Temporarily Restricted Net Assets – Amounts receivable or received that are restricted for specific purposes or for subsequent periods. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Permanently Restricted Net Assets – All contributions receivable or received from donors that are subject to restrictions requiring the funds to be maintained permanently for the purpose of producing support for the Organization. The Organization had no permanently restricted net assets as of December 31, 2015 or 2014.

Global Heritage Fund

Notes to Consolidated Financial Statements

c. Basis of Accounting

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

d. Revenue Recognition

The Organization recognizes contributions and unconditional promises to give (pledges) as revenue at their fair value in the period the donor makes the contribution or pledge that is, in substance, unconditional. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Conditional promises to give and support are not recognized until the conditions are met. Contributions restricted by the donor that expire in the year received are reported as increases in temporarily restricted net assets and are reclassified to unrestricted net assets.

The Organization has a publicly disclosed policy stating that for each contribution, whether received or promised, the Organization applies twenty percent of the contribution towards unrestricted operating activities.

e. Cash Equivalents

The Organization considers all short-term, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

f. Pledges Receivable

Pledges receivable that are expected to be collected after one year are recorded at net realizable value, if the discount is determined to be material. Management uses the allowance method when estimating uncollectible pledges.

g. Property and Equipment

The Organization capitalizes property and equipment acquisitions over \$1,000. Purchased property and equipment are recorded at cost and consists primarily of computer equipment and office furniture. Donated property and equipment are recorded at their estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets ranging from five to seven years.

Global Heritage Fund

Notes to Consolidated Financial Statements

h. Functional Expenses

The cost of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Directly identifiable expenses are charged to the related program or service benefited. Indirect expenses are allocated to programs and services based principally on the percentage of personnel time spent in each area or management's estimate of usage.

i. Concentration of Credit Risk and Major Donor

Financial instruments that potentially subject the organization to concentrations of credit risk consist primarily of cash and cash equivalents and pledges receivables. The Organization maintains most of its cash accounts at one commercial bank. The Organization's deposits may at times exceed the federally insured limit.

The Organization periodically evaluates the collectability of its pledges receivables. An allowance for uncollectible receivables, if needed, is provided based on management's judgment. At December 31, 2015 and 2014, management believes all amounts will be collected and no allowance for uncollectible receivables is deemed necessary.

The Organization has two major donors in 2015 representing 22% of total revenue and two major donor representing 35% of total revenue in 2014. Major donors are defined as donors that contribute revenue greater than 10% of the Organization's revenue for that year. Receivables from four major donors totaled \$525,000 at December 31, 2015 and \$430,000 from two major donors at December 31, 2014.

j. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701(d) of the California Revenue and Taxation Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Management has concluded that the Organization has taken no uncertain tax positions that would require adjustments to the financial statements.

k. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Global Heritage Fund

Notes to Consolidated Financial Statements

1. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014 from which the summarized information was derived.

m. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 – *Leases (Topic 842)*. The new standard will supersede much of the existing authoritative literature for leases. This guidance requires lessees, among other things, to recognize right-of-use assets and liabilities on their statement of financial position for all leases with lease terms longer than twelve months. The standard will be effective for the Organization's fiscal year beginning after December 15, 2019. Early application of the amendments in the update is permitted.

In August 2016, the FASB issued ASU 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The amendments in this ASU are designed to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments in the update is permitted.

The Organization is currently evaluating the impact of these pronouncements on its financial statements.

Note 3 - **Pledges Receivable:**

Pledges receivable consist of the following at December 31:

	2015	2014
Receivable in less than one year	\$ 470,843	\$ 1,099,906
Receivable in one to five years	343,333	540,000
Total	\$ 814,176	\$ 1,639,906

Global Heritage Fund

Notes to Consolidated Financial Statements

Note 4 - Temporarily Restricted Net Assets:

Temporarily restricted net assets were available for the following purposes at December 31:

	2015	2014
Projects:		
Mirador Basin, Guatemala	\$ 199,810	\$ 667,470
Gobekli Tepe, Turkey	170,958	199,181
Myanmar, Burma	128,800	124,000
Amal, Syria	111,871	68,000
Greece Investigation	100,000	
Sagalassos, Turkey	20,000	
Other projects	54,416	64,782
Pacunam, Guatemala		209,500
Cyrene, Libya		73,897
Carpathian Villages, Romania		28,555
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Total projects	785,855	1,435,385
Headquarters, internal projects and resources:		
Donations restricted for time	531,797	780,000
New GHF book		8,000
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Total temporarily restricted net assets	\$ 1,317,652	\$ 2,223,385

Global Heritage Fund

Notes to Consolidated Financial Statements

Net assets were released from restriction for the following purpose for the year ended December 31:

	2015	2014
Projects:		
Mirador Basin, Guatemala	\$ 479,660	\$ 342,937
Pacunam, Guatemala	209,500	55,500
Gobekli Tepe, Turkey	108,223	119,184
Sagalassos, Turkey	58,897	
Amal, Syria	56,129	
Cuidad Perdida, Colombia	20,000	198,312
Carpathian Villages, Romania	28,555	25,509
Other projects	228,070	138,765
Banteay Chhmar, Cambodia		166,740
Chavin de Huantar, Peru		84,000
Guizhou, China		79,400
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Total projects	1,189,034	1,210,347
Headquarters, internal projects and resources:		
Donations restricted for time	349,755	100,000
Global Heritage Fund U.K.	10,000	81,152
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Total temporarily restricted net assets released from restriction	\$ 1,548,789	\$ 1,391,499

Note 5 - Operating Lease Commitments:

In May 2014, the Organization entered into a non-cancelable operating lease agreement for office space in Palo Alto, California which expires in July 2019. In November 2015, the Organization vacated this location and moved into office space in San Francisco, California. The San Francisco lease began in January 2016 and expires in December 2018. The Palo Alto office space is under a sub-lease agreement which expires November 2016. The sub-tenant elected to pre-pay the rental obligations and approximately \$89,000 is included in accounts payable and other current liabilities at December 31, 2015.

In October 2016 the Organization negotiated an early termination of the Palo Alto lease.

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Notes to Consolidated Financial Statements

Future annual minimum lease payments under the above lease agreements, accounting for the early termination of the Palo Alto lease, are as follows for the years ending December 31:

2016	\$ 110,000
2017	53,000
2018	54,000
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Total	\$ 217,000

Rent expense was approximately \$65,000 and \$100,000 in 2015 and 2014, respectively.

Note 6 - Related Party Transactions:

Contributions received from members of the Board of Directors (the Board) or from entities with which the Board members are affiliated in 2015 and 2014 were approximately \$186,000 and \$1,410,000, respectively. Those revenues comprise 15% of total revenue in 2015 and 45% of total revenue in 2014.

Amounts due from Board members or from entities with which the Board members are affiliated were approximately \$10,000 and \$685,000 as of December 31, 2015 and 2014.

The Organization shares common board members with Global Heritage Fund U.K. (GHF UK) and from time to time partners with GHF UK on projects. In August 2016, additional board members of the Organization were appointed to serve on the board of GHF UK. These board seats gave the Organization a majority voting interest in GHF UK. Additionally, the Organization and GHF UK entered into a memorandum of understanding to formalize the relationship of the two entities. The Organization does not have an economic interest in GHF UK as defined by U.S. GAAP and therefore does not present consolidated financial statements.

Note 7 - Subsequent Events:

The Organization evaluated subsequent events from December 31, 2015 through January 30, 2017, the date these financial statements were available to be issued. Except as discussed in Note 5 and Note 6, there were no material subsequent events that required recognition.