

**Global Heritage Fund**  
**Financial Statements**  
**December 31, 2012 and 2011**

Board of Directors  
Global Heritage Fund  
Palo Alto, California

Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Global Heritage Fund (the Organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and change in net assets and cash flows for the years then ended, and the related notes to the financial statements.

New York  
Palo Alto  
San Francisco  
San Jose  
St. Helena

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Global Heritage Fund as of December 31, 2012 and 2011, and the results of its operations and its cash flows for years then ended in accordance with accounting principles generally accepted in the United States of America.

Frank, Rimerman & Co. LLP

Palo Alto, California  
May 30, 2013

**Global Heritage Fund**  
**Statements of Financial Position**

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	December 31,	
	2012	2011
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 489,979	\$ 129,841
Pledges and other receivables	616,675	1,004,675
Prepaid expenses and other current assets	12,199	41,490
Total current assets	1,118,853	1,176,006
Pledge Receivable	180,000	240,000
Property and Equipment, net	9,968	21,380
Total assets	<u>\$ 1,308,821</u>	<u>\$ 1,437,386</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 56,481	\$ 117,584
Accrued expenses	53,323	52,748
Total current liabilities	109,804	170,332
Commitments (Note 7)		
Net Assets		
Unrestricted	8,236	32,319
Temporarily restricted	1,190,781	1,234,735
Total net assets	1,199,017	1,267,054
Total liabilities and net assets	<u>\$ 1,308,821</u>	<u>\$ 1,437,386</u>

See Notes to Financial Statements

**Global Heritage Fund**  
**Statements of Activities and Change in Net Assets**  
**Years Ended December 31, 2012 and 2011**

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue						
Contributions	\$ 1,020,398	\$ 2,010,344	\$ 3,030,742	\$ 1,254,235	\$ 999,529	\$ 2,253,764
Interest and other income	3,272	-	3,272	4,845	-	4,845
Net assets released from restrictions	2,054,298	(2,054,298)	-	1,589,210	(1,589,210)	-
Total public support and revenue	3,077,968	(43,954)	3,034,014	2,848,290	(589,681)	2,258,609
Expenses						
Program services	2,134,845	-	2,134,845	2,075,532	-	2,075,532
Fundraising	694,915	-	694,915	770,956	-	770,956
Management and general	272,291	-	272,291	354,668	-	354,668
Total expenses	3,102,051	-	3,102,051	3,201,156	-	3,201,156
Change in Net Assets	(24,083)	(43,954)	(68,037)	(352,866)	(589,681)	(942,547)
Net Assets, beginning of year	32,319	1,234,735	1,267,054	385,185	1,824,416	2,209,601
Net Assets, end of year	\$ 8,236	\$ 1,190,781	\$ 1,199,017	\$ 32,319	\$ 1,234,735	\$ 1,267,054

See Notes to Financial Statements

**Global Heritage Fund**  
**Statements of Cash Flows**

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	Years Ended December, 31	
	2012	2011
Cash Flows from Operating Activities		
Change in net assets	\$ (68,037)	\$ (942,547)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	11,412	11,973
Changes in operating assets and liabilities:		
Pledges and other receivables	448,000	690,634
Prepaid expenses and other current assets	29,291	(17,100)
Accounts payable	(61,103)	106,510
Accrued expenses	575	(87,471)
Net cash provided by (used in) operating activities	<u>360,138</u>	<u>(238,001)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>-</u>	<u>(7,915)</u>
Net used in investing activities	<u>-</u>	<u>(7,915)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	360,138	(245,916)
Cash and Cash Equivalents, beginning of year	<u>129,841</u>	<u>375,757</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 489,979</u></u>	<u><u>\$ 129,841</u></u>

See Notes to Financial Statements

## Global Heritage Fund

### Notes to the Financial Statements

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#### 1. Nature of Activities

Global Heritage Fund (the Organization) is a nonprofit public benefit organization with the mission to protect, preserve and sustain the most significant and endangered cultural heritage sites in the developing world. The Organization is based in Palo Alto, California and raises money throughout the United States for conservation projects in developing countries, and it works with other nonprofit organizations in many countries to fund cultural heritage conservation projects.

The Organization's timely investments, global network of experts and advanced "Preservation by Design" methodology work together to create a "Cycle of Success" for sites which have a high potential for sustainable preservation, tourism and economic development.

#### 2. Significant Accounting Policies

##### *Basis of Presentation:*

The Organization prepares its financial statements on the accrual basis of accounting under accounting principles generally accepted in the United States of America.

The Organization segregates its assets and liabilities, and operations into three categories: unrestricted, temporarily restricted and permanently restricted. The Organization's net assets and changes therein are classified and reported as follows:

Unrestricted net assets consist of 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 consist of 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 Statements of Activities as net assets released from restrictions.

Permanently restricted net assets consist of 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, 2012 or 2011.

## Global Heritage Fund

### Notes to the Financial Statements

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#### 2. Significant Accounting Policies (continued)

##### *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. Conditional promises to give and support are not recognized until the conditions are met. The Organization distinguishes among contributions that increase any of the three categories of net assets, with recognition being made of the expiration of donor-imposed restrictions in the period in which the restrictions expire. Contributions restricted by the donor that expire in the fiscal year 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.

##### *In-Kind Contributions:*

The Organization records various types of in-kind donations including professional services and tangible assets. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized when promised or received, whichever is earlier. In-kind contribution revenue is recorded at the fair-value of the services or tangible assets received and are offset by like amounts of expenses or, in the case of tangible assets, over the period benefited. There were no in-kind contributions in 2012 or 2011.

##### *Estimates:*

The preparation of 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 and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses in the financial statements and accompanying notes. Actual results could differ from those estimates.

##### *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.



## Global Heritage Fund

### Notes to the Financial Statements

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#### 2. Significant Accounting Policies (continued)

##### *Functional Expenses:*

The costs of providing the various program and supporting services have been summarized on a functional basis in the Statements 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.

##### *Special Events:*

The Organization receives revenue from special event fundraising trips and forums designed to enable open dialogue on historic preservation and international development. In 2012, the Organization received \$40,000 of revenue for *The Forum on Global Heritage in a Developing World: Focus on Asia*, held in New York. This revenue is presented net of \$38,000 of direct costs related to the event. During 2011, the Organization received \$26,000 of revenue from fundraising trips, net of \$26,000 of costs related to the direct benefit of the donor.

##### *Prepaid Expenses and Other Current Assets:*

At December 31, 2011, prepaid expenses and other current assets included \$35,000 of restricted cash, which represents donations made to the Organization for which it does not have variance power over its use. The Organization did not have restricted cash at December 31, 2012.

##### *Property and Equipment:*

The Organization capitalizes property and equipment acquisitions over \$1,000. Purchased property and equipment are recorded at cost. 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.

Donations of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Donated long-lived assets with explicit restrictions that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

## Global Heritage Fund

### Notes to the Financial Statements

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#### 2. Significant Accounting Policies (continued)

##### *Advertising:*

Costs associated with advertising are expensed when incurred. Advertising expense was \$32,000 in 2012 (\$70,000 in 2011).

##### *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 receivables. The Organization maintains most of its cash accounts at one commercial bank. The Federal Deposit Insurance Corporation (FDIC) insures deposit accounts at the bank up to \$250,000. The Organization's deposits may at times exceed the federally insured limit.

The Organization periodically evaluates the collectability of its receivables. An allowance for uncollectible receivables, if needed, is provided based on management's judgment. At December 31, 2012 and 2011, management believes all amounts will be collected and no allowance for uncollectible receivables is deemed necessary.

The Organization had one major donor in 2012 and 2011. Major donors are defined as donors that contribute revenue greater than 10% of the Organization's annual revenue. Revenue from this donor accounted for 34% of total revenue in 2012 (27% in 2011). Receivables from the major donor totaled \$75,000 at December 31, 2012 (\$725,000 at December 31, 2011).

##### *Income Taxes:*

The Organization has been determined to be exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (Code) as an organization described in Section 501(c)(3) of the Code. The Organization is also exempt from California income taxes under Section 23701 of the California Revenue and Taxation Code.

Although the Organization is recognized as tax exempt, it is still liable for tax on its unrelated business taxable income (UBTI). The Organization does not believe it has UBTI that will result in an income tax liability.

**Global Heritage Fund**  
**Notes to the Financial Statements**

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2. Significant Accounting Policies (continued)

*Income Taxes:* (continued)

The Organization applies the provisions set forth in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 740 to account for uncertainty in income taxes. The Organization assessed all income tax positions taken where the statute of limitation remained open, generally three years from the date of filing. The Organization believes that its tax filing positions will be sustained upon tax examinations; therefore, no liability for unrecognized income tax benefits has been recorded at December 31, 2012 or 2011. The Organization does not anticipate any significant increases or decreases to unrecognized income tax benefits during the next twelve months.

3. Pledges and Other Receivables

Pledges receivable are recorded at net realizable value using a discount rate equal to the Applicable Federal Rate to years in which the promises are received, if material. In 2012 and 2011, the present value discount was not material and, therefore, not recorded. Pledges receivable consist of the following at December 31:

	<u>2012</u>	<u>2011</u>
Receivable in less the one year	\$ 616,675	\$ 1,004,675
Receivable in one to five years	<u>180,000</u>	<u>240,000</u>
	<u>\$ 796,675</u>	<u>\$ 1,244,675</u>

4. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
Computer equipment and software	\$ 91,435	\$ 91,435
Office equipment	8,828	8,828
Office furniture	<u>1,100</u>	<u>1,100</u>
	101,363	101,363
Less: accumulated depreciation	<u>(91,395)</u>	<u>(79,983)</u>
Property and equipment, net	<u>\$ 9,968</u>	<u>\$ 21,380</u>

**Global Heritage Fund**  
**Notes to the Financial Statements**

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5. Temporarily Restricted Net Assets

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

	<u>2012</u>	<u>2011</u>
Projects:		
Mirador Basin, Guatemala	\$ 644,018	\$ 285,586
Gobekli Tepe, Turkey	260,287	283,000
Chavin de Huantar, Peru	148,760	-
Foguang Temple, China	45,494	170,293
Dholovira Museum	20,000	20,000
Pasagardae, Iran	15,644	15,644
Aceh Heritage, Indonesi	6,400	6,400
My Son, Vietnam	5,300	5,300
Asif Khan, Pakistan	4,440	5,440
Americas, EMEA, Asia	4,000	4,000
Indus, India	3,998	-
Pachacamae, Peru	-	11,980
Other Projects	<u>24,440</u>	<u>26,000</u>
Total projects	1,182,781	833,643
Headquarters, internal projects and resources:		
New GHF book	8,000	8,000
Forum 2012	-	38,000
Salaried positions and other resources	-	320,000
Global Heritage Fund U.K.	<u>-</u>	<u>35,092</u>
Total temporarily restricted net assets	<u>\$ 1,190,781</u>	<u>\$ 1,234,735</u>

**Global Heritage Fund**  
**Notes to the Financial Statements**

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6. Net Assets Released From Restriction

Net assets were released from restriction for the following purposes at December 31:

	<u>2012</u>	<u>2011</u>
Projects:		
Mirador Basin, Guatemala	\$ 609,569	\$ 217,906
Gobekli Tepe, Turkey	136,713	25,000
Chavin de Huantar, Peru	129,240	81,849
Foguang Temple, China	128,798	91,607
Ciudad Perdida, Colombia	80,000	16,000
Banteay Chhmar, Cambodia	44,600	5,800
Pachacamae, Peru	23,980	-
Indus, India	16,002	46,105
Ladhka, India	8,000	-
Asif Khan, Pakistan	1,000	2,000
Pingyao, China	-	48,000
Marcahuamachuco, Peru	-	24,000
Cyrene, Libya	-	25,299
Other Projects	<u>1,560</u>	<u>-</u>
Total projects	1,179,462	583,566
Headquarters, internal projects and resources:		
Regions challenge	480,000	480,000
Salaried positions and other resources	320,000	155,736
Global Heritage Fund U.K.	35,092	49,908
Forum 2012	31,744	-
Forum 2010	8,000	-
Capacity building	<u>-</u>	<u>320,000</u>
Total temporarily restricted net assets released from restriction	<u>\$ 2,054,298</u>	<u>\$ 1,589,210</u>

## Global Heritage Fund

### Notes to the Financial Statements

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#### 7. Commitments

##### *Facility Lease:*

The Organization's office facility is leased under a non-cancelable operating lease, which expires in July 2014. The lease requires the Organization to make monthly rent payments subject to annual increases. The difference between cash payments required and rent expense reflected over the lease term is not material to the financial statements; as such, the Organization has not recorded deferred rent on the Statements of Financial Position. In 2012, rent expense was \$99,000 (\$91,000 in 2011). Future annual minimum lease payments under the lease are as follow for the years ending December 31:

2013	\$	110,000
2014		<u>65,000</u>
	\$	<u>175,000</u>

In August 2011, the Organization entered into a sublease agreement for a portion of the facility which expired in July 2012. In August 2012, the Organization renewed the sub-lease agreement on a month-to-month basis through January 2013 at \$2,500 per month. Sublease income of \$22,000 was recorded as a reduction of rent expense in 2012 (\$22,500 in 2011). In December 2012, the sublease agreement was extended further on a month-to-month basis through December 2013.

##### *Contractual Obligation:*

In March 2010, the Organization entered into a contract with a service provider that included minimum service commitments. Total expense related to the contract in 2012 was not material to the financial statements (\$33,000 in 2011). In 2012, the contract was terminated with no further commitment required at December 31, 2012.

#### 8. 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 2012 and 2011 were approximately \$1,382,000 and \$804,000, which comprised 45% and 36% of total revenue in 2012 and 2011, respectively.

Amounts due from Board members or from entities with which the Board members are affiliated were approximately \$120,000 and \$725,000 as of December 31, 2012 and 2011, respectively.

## **Global Heritage Fund**

### **Notes to the Financial Statements**

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#### 8. Related Party Transactions (continued)

From time to time, the Organization will partner with charitable organizations in other countries that have similar missions to the Organization's mission. While the Organization does not control any of the foreign organizations, there is one organization, Global Heritage Fund U.K., which has one Board Member who is also on the Organization's Board of Directors. In 2012 and 2011, the Organization paid a contractor to perform start-up activities for Global Heritage Fund U. K. of approximately \$83,000 and \$75,000, respectively. Additionally, the Organization made a charitable contribution of \$25,000 to Global Heritage Fund U.K. in 2011. There were no such contributions made in 2012.

#### 9. Subsequent Events

Subsequent events have been evaluated through May 30, 2013, which is the date the financial statements were available to be issued and it was determined that no other material subsequent events required an estimate to be recorded or disclosed as of December 31, 2012.