

# GLOBAL HERITAGE FUND

DECEMBER 31, 2016

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INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

# **Global Heritage Fund**

## **Independent Auditors' Report and Consolidated Financial Statements**

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### **Consolidated Financial Statements**

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BOARD OF TRUSTEES  
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, 2016, the related consolidated statements of activities and changes in net assets and cash flows for the year 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, 2016, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Global Heritage Fund's December 31, 2015 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated January 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Hood & Strong LLP*

San Francisco, California  
October 30, 2017

# Global Heritage Fund

## Consolidated Statement of Financial Position

<i>December 30, 2016 (with comparative totals for 2015)</i>	2016	2015
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 322,897	\$ 639,130
Pledges receivable	565,981	470,843
Other current assets	28,343	40,180
Total current assets	917,221	1,150,153
<b>Pledges Receivable, net of current portion</b>	199,667	343,333
<b>Property and Equipment, net</b>	12,842	8,819
Total assets	\$ 1,129,730	\$ 1,502,305
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and other current liabilities	\$ 80,996	\$ 192,103
Total liabilities	80,996	192,103
<b>Net Assets:</b>		
Unrestricted (deficit)	(43,477)	(7,450)
Temporarily restricted	1,092,211	1,317,652
Total net assets	1,048,734	1,310,202
Total liabilities and net assets	\$ 1,129,730	\$ 1,502,305

See accompanying notes to the consolidated financial statements.

# Global Heritage Fund

## Consolidated Statement of Activities and Changes in Net Assets

*Year Ended December 31, 2016 (with comparative totals for 2015)*

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total
<b>Revenue and Support:</b>				
Contributions	\$ 619,837	\$ 829,370	\$ 1,449,207	\$ 1,264,282
In-kind revenue	33,764		33,764	-
Other revenue	7,982		7,982	9,184
Net assets released from restrictions	1,054,811	(1,054,811)	-	-
<b>Total revenues and support</b>	<b>1,716,394</b>	<b>(225,441)</b>	<b>1,490,953</b>	<b>1,273,466</b>
<b>Expenses:</b>				
Program services	1,111,786		1,111,786	1,513,797
Fundraising	340,440		340,440	387,811
Management and general	300,195		300,195	354,392
<b>Total expenses</b>	<b>1,752,421</b>		<b>1,752,421</b>	<b>2,256,000</b>
<b>Change in Net Assets</b>	<b>(36,027)</b>	<b>(225,441)</b>	<b>(261,468)</b>	<b>(982,534)</b>
<b>Net Assets - Beginning of year</b>	<b>(7,450)</b>	<b>1,317,652</b>	<b>1,310,202</b>	<b>2,292,736</b>
<b>Net Assets - End of year</b>	<b>\$ (43,477)</b>	<b>\$ 1,092,211</b>	<b>\$ 1,048,734</b>	<b>\$ 1,310,202</b>

See accompanying notes to the consolidated financial statements.

# Global Heritage Fund

## Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2016 (with comparative totals for 2015)</i>	2016	2015
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (261,468)	\$ (982,534)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,905	1,506
Changes in operating assets and liabilities:		
Pledges receivables	48,528	825,730
Other current assets	11,837	(32,233)
Accounts payable and other current liabilities	(111,107)	135,083
Net cash used by operating activities	(310,305)	(52,448)
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(5,928)	(8,452)
Net cash used by investing activities	(5,928)	(8,452)
<b>Net Change in Cash and Cash Equivalents</b>	(316,233)	(60,900)
<b>Cash and Cash Equivalents - Beginning of year</b>	639,130	700,030
<b>Cash and Cash Equivalents - End of year</b>	\$ 322,897	\$ 639,130

See accompanying notes to the consolidated financial statements.

# Global Heritage Fund

## Notes to Consolidated Financial Statements

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### Note 1 - Organization:

Global Heritage Fund (GHF) is a nonprofit public benefit organization with the mission to sustainably preserve the most significant and endangered cultural heritage sites in regions of economic need. GHF's headquarters are in San Francisco, California with an office of its subsidiary in Hong Kong. Additionally, GHF is affiliated with Global Heritage Fund U.K., which has an office in London. Since its founding in 2002, GHF has raised over \$40 million in the United States to preserve almost 30 sites in over 20 countries. GHF partners with civil society, nonprofit organizations, businesses and governments 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 GHF 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.

#### b. Basis of Presentation

GHF 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 GHF. GHF had no permanently restricted net assets as of December 31, 2016 or 2015.

# Global Heritage Fund

## Notes to Consolidated Financial Statements

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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

GHF 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.

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

e. Cash Equivalents

GHF 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

GHF 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.

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.

# Global Heritage Fund

## Notes to Consolidated Financial Statements

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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. GHF maintains most of its cash accounts at one commercial bank. GHF's deposits may at times exceed the federally insured limit.

GHF 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, 2016 and 2015, management believes all amounts will be collected and no allowance for uncollectible receivables is deemed necessary.

GHF has three major donors in 2016 representing 41% of total revenue and two major donors representing 22% of total revenue in 2015. Major donors are defined as donors that contribute revenue greater than 10% of GHF's revenue for that year. Receivables from two major donors totaled \$325,000 at December 31, 2016 and \$525,000 from two major donors at December 31, 2015.

j. Income Taxes

GHF 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, GHF 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 GHF 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.

l. Financial Information

The consolidated 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 GHF's consolidated financial statements for the year ended December 31, 2015 from which the summarized information was derived.

# Global Heritage Fund

## Notes to Consolidated Financial Statements

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### 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 GHF’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.

GHF is currently evaluating the impact of these pronouncements on its consolidated financial statements.

### Note 3 - **Pledges Receivable:**

Pledges receivable consist of the following at December 31:

	2016	2015
Receivable in less than one year	\$ 565,981	\$ 470,843
Receivable in one to five years	199,667	343,333
<b>Total</b>	<b>\$ 765,648</b>	<b>\$ 814,176</b>

# Global Heritage Fund

## Notes to Consolidated Financial Statements

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### Note 4 - Temporarily Restricted Net Assets:

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

	2016	2015
Projects:		
Mirador Basin, Guatemala	\$ 166,674	\$ 199,810
Arab Regional Center for World Heritage Patan, Nepal	100,000	
Greece investigation	70,364	
Sagalassos, Turkey	66,678	100,000
Ciudad Perdida, Colombia	63,223	20,000
GHF Asia	52,800	
China Heritage Program	50,000	
AMAL in Heritage	40,000	
Myanmar, Burma	6,978	111,871
Cultural Emergency Program	4,800	128,800
Gobekli Tepe, Turkey	4,123	
Other projects	2,696	170,958
	2,208	54,416
Total projects	630,544	785,855
Headquarters, internal projects and resources:		
Donations restricted for time	461,667	531,797
<b>Total temporarily restricted net assets</b>	<b>\$ 1,092,211</b>	<b>\$ 1,317,652</b>

# Global Heritage Fund

## Notes to Consolidated Financial Statements

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

	2016	2015
Projects:		
AMAL in Heritage	\$ 162,893	\$ 56,129
Myanmar, Burma	134,900	
Cuidad Perdida, Colombia	107,520	20,000
Sagalassos, Turkey	96,865	58,897
Gobekli Tepe, Turkey	84,261	108,223
Greece investigation	63,562	
Patan, Nepal	13,636	
Mirador Basin, Guatemala	13,136	479,660
Other projects	114,708	228,070
Pacunam, Guatemala		209,500
Carpathian Villages, Romania		28,555
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Total projects	791,481	1,189,034
Headquarters, internal projects and resources:		
Donations restricted for time	258,330	349,755
Global Heritage Fund U.K.	5,000	10,000
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Total temporarily restricted net assets released from restriction	\$ 1,054,811	\$ 1,548,789

### Note 5 - Operating Lease Commitments:

In May 2014, GHF entered into a non-cancelable operating lease agreement for office space in Palo Alto, California which expires in July 2019. In November 2015, GHF 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 was under a sub-lease agreement that was set to expire in November 2016. In October 2016, GHF negotiated an early termination of the Palo Alto lease.

# Global Heritage Fund

## Notes to Consolidated Financial Statements

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Expected future annual minimum lease payments under the San Francisco lease are as follows as of December 31, 2016:

2017	\$ 53,000
2018	54,000
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Total	\$ 107,000

Rent expense was approximately \$51,000 and \$65,000 in 2016 and 2015, respectively.

### Note 6 - Related Party Transactions:

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

Contributions received from members of the Board of Trustees (the Board) or from entities with which the Board members are affiliated in 2016 and 2015 were approximately \$343,000 and \$186,000, respectively. Those revenues comprise 24% of total revenue in 2016 and 15% of total contribution revenue in 2015.

Amounts due from Board members or from entities with which the Board members are affiliated were approximately \$250,000 and \$10,000 as of December 31, 2016 and 2015.

### Note 7 - Subsequent Events:

GHF evaluated subsequent events from December 31, 2016 through October 30, 2017, the date these financial statements were available to be issued. Except as discussed in the following paragraph, there were no material subsequent events that required recognition.

In March 2017, a Board member gave an unrestricted donation of \$1,000,000. This unrestricted gift alleviates the deficit position in unrestricted net assets that existed at December 31, 2016.