

GLOBAL HERITAGE FUND

DECEMBER 31, 2017

INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

Global Heritage Fund

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A Century Strong

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, 2017, 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, 2017, and the consolidated changes in its net assets and 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, 2016 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated October 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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 5, 2018

Global Heritage Fund

Consolidated Statement of Financial Position

<i>December 30, 2017 (with comparative totals for 2016)</i>	2017	2016
Assets		
Current Assets:		
Cash and cash equivalents	\$ 475,777	\$ 322,897
Pledges receivable	371,231	565,981
Other current assets	31,396	28,343
Total current assets	878,404	917,221
Pledges Receivable, net of current portion	383,333	199,667
Property and Equipment, net	12,159	12,842
Total assets	\$ 1,273,896	\$ 1,129,730
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other current liabilities	\$ 117,815	\$ 80,996
Total liabilities	117,815	80,996
Net Assets:		
Unrestricted (deficit)	305,043	(43,477)
Temporarily restricted	851,038	1,092,211
Total net assets	1,156,081	1,048,734
Total liabilities and net assets	\$ 1,273,896	\$ 1,129,730

See accompanying notes to the consolidated financial statements.

Global Heritage Fund

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2017 (with comparative totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenue and Support:				
Contributions	\$ 1,442,029	\$ 660,193	\$ 2,102,222	\$ 1,449,207
In-kind revenue	30,443		30,443	33,764
Other revenue	3,151		3,151	7,982
Net assets released from restrictions	901,366	(901,366)	-	-
Total revenues and support	2,376,989	(241,173)	2,135,816	1,490,953
Expenses:				
Program services	1,416,954		1,416,954	1,111,786
Fundraising	288,472		288,472	340,440
Management and general	323,043		323,043	300,195
Total expenses	2,028,469		2,028,469	1,752,421
Change in Net Assets	348,520	(241,173)	107,347	(261,468)
Net Assets - Beginning of year	(43,477)	1,092,211	1,048,734	1,310,202
Net Assets - End of year	\$ 305,043	\$ 851,038	\$ 1,156,081	\$ 1,048,734

See accompanying notes to the consolidated financial statements.

Global Heritage Fund

Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2017 (with comparative totals for 2016)</i>	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ 107,347	\$ (261,468)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	2,748	1,905
Changes in operating assets and liabilities:		
Pledges receivables	11,084	48,528
Other current assets	(3,053)	11,837
Accounts payable and other current liabilities	36,819	(111,107)
Net cash provided (used) by operating activities	154,945	(310,305)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(2,065)	(5,928)
Net cash used by investing activities	(2,065)	(5,928)
Net Change in Cash and Cash Equivalents	152,880	(316,233)
Cash and Cash Equivalents - Beginning of year	322,897	639,130
Cash and Cash Equivalents - End of year	\$ 475,777	\$ 322,897

See accompanying notes to the consolidated financial statements.

Global Heritage Fund

Notes to Consolidated Financial Statements

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, 2017 or 2016.

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).

Global Heritage Fund

Notes to Consolidated Financial Statements

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

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, 2017 and 2016, management believes all amounts will be collected and no allowance for uncollectible receivables is deemed necessary.

GHF has two major donors in 2017 representing 60% of total revenue and three major donors representing 41% of total revenue in 2016. Major donors are defined as donors that contribute revenue greater than 10% of GHF's revenue for that year. Receivables from four major donors totaled \$632,883 at December 31, 2017 and \$325,000 from two major donors at December 31, 2016.

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, 2016 from which the summarized information was derived.

Global Heritage Fund

Notes to Consolidated Financial Statements

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:

	2017	2016
Receivable in less than one year	\$ 371,231	\$ 565,981
Receivable in one to five years	383,333	199,667
Total	\$ 754,564	\$ 765,648

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:

	2017	2016
Projects:		
Mirador Basin, Guatemala	\$ 86,674	\$ 166,674
China Heritage Program	80,000	40,000
Sagalassos, Turkey	40,000	63,223
Greece investigation	33,345	66,678
Ciudad Perdida, Colombia	26,307	52,800
GHF UK	5,000	
Myanmar, Burma	4,800	4,800
Arab Regional Center for World Heritage		100,000
Patan, Nepal		70,364
GHF Asia		50,000
AMAL in Heritage		6,978
Cultural Emergency Program		4,123
Gobekli Tepe, Turkey		2,696
Other projects		2,208
 Total projects	 276,126	 630,544
Headquarters, internal projects and resources:		
Donations restricted for time	574,912	461,667
 Total temporarily restricted net assets	 \$ 851,038	 \$ 1,092,211

Global Heritage Fund

Notes to Consolidated Financial Statements

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

	2017	2016
Projects:		
Cuidad Perdida, Colombia	\$ 106,493	\$ 107,520
Sagalassos, Turkey	103,223	96,865
Arab Regional Center for World Heritage	100,000	
Patan, Nepal	84,620	13,636
GHF Asia	50,000	
Rajasthan, India	40,000	
Greece investigation	33,334	63,562
AMAL in Heritage	30,785	162,893
China Heritage Program	8,000	
Greece Conservation Training Program	4,130	
Cultural Emergency Program	4,123	
Gobekli Tepe, Turkey	2,696	84,261
Myanmar, Burma		134,900
Mirador Basin, Guatemala		13,136
Other projects	2,208	114,708
Total projects	569,612	791,481
Headquarters, internal projects and resources:		
Donations restricted for time	331,754	258,330
Global Heritage Fund U.K.		5,000
Total temporarily restricted net assets released from restriction	\$ 901,366	\$ 1,054,811

Note 5 - Operating Lease Commitments:

In May 2014, GHF entered into a non-cancelable operating lease agreement for office space in Palo Alto, California. 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.

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Notes to Consolidated Financial Statements

Future minimum lease payments under the San Francisco lease are expected to be \$54,000 in the year ending December 31, 2018:

Rent expense was approximately \$54,000 and \$51,000 in 2017 and 2016, 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. In 2018, GHF expects to finalize an arrangement wherein GHF and GHF UK will become dual qualified charities. This will more easily facilitate contributions from the US and UK citizens to the respective organizations. GHF UK will be consolidated with GHF for financial reporting purposes.

Contributions received from members of the Board of Trustees (the Board) or from entities with which the Board members are affiliated in 2017 and 2016 were approximately \$1,400,000 and \$343,000, respectively. Those revenues comprise 67% of total revenue in 2017 and 24% of total contribution revenue in 2016.

Amounts due from Board members or from entities with which the Board members are affiliated were approximately \$300,000 and \$250,000 as of December 31, 2017 and 2016.

Note 7 - Subsequent Events:

GHF evaluated subsequent events from December 31, 2017 through October 5, 2018, the date these financial statements were available to be issued. Except as discussed in Note 6, there were no material subsequent events that required recognition.