

# GLOBAL HERITAGE FUND

DECEMBER 31, 2018



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, 2018, the related consolidated statements of activities and changes in net assets, consolidated statement of functional expenses, 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, 2018, 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, 2017 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated October 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## **Effect of Adopting New Accounting Standard**

As described in Note 2, Global Heritage Fund adopted the Financial Accounting Standards Board, Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to prior periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

*Hood & Strong LLP*

San Francisco, California  
September 19, 2019

# Global Heritage Fund

## Consolidated Statement of Financial Position

<i>December 31, 2018 (with comparative totals for 2017)</i>	2018	2017
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 529,258	\$ 475,777
Pledges receivable	435,761	371,231
Other current assets	17,626	15,396
Total current assets	982,645	862,404
<b>Pledges Receivable, net of current portion</b>	186,667	383,333
<b>Other Assets</b>	25,410	28,159
Total assets	\$ 1,194,722	\$ 1,273,896
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and other current liabilities	\$ 151,719	\$ 117,815
Total liabilities	151,719	117,815
<b>Net Assets:</b>		
Without donor restrictions	335,871	305,043
With donor restrictions	707,132	851,038
Total net assets	1,043,003	1,156,081
Total liabilities and net assets	\$ 1,194,722	\$ 1,273,896

See accompanying notes to the consolidated financial statements.

# Global Heritage Fund

## Consolidated Statement of Activities and Changes in Net Assets

*Year Ended December 31, 2018 (with comparative totals for 2017)*

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue and Support:</b>				
Contributions	\$ 1,078,984	\$ 539,615	\$ 1,618,599	\$ 2,102,222
Excess of assets acquired over liabilities assumed in acquisition of Global Heritage Fund U.K.	30,469		30,469	
In-kind revenue	7,412		7,412	30,443
Other revenue	999		999	3,151
Net assets released from restrictions	683,521	(683,521)		
<b>Total revenue and support</b>	<b>1,801,385</b>	<b>(143,906)</b>	<b>1,657,479</b>	<b>2,135,816</b>
<b>Expenses:</b>				
Program services	1,093,453		1,093,453	1,416,954
Management and general	288,565		288,565	323,043
Fundraising	388,539		388,539	288,472
<b>Total expenses</b>	<b>1,770,557</b>		<b>1,770,557</b>	<b>2,028,469</b>
<b>Change in Net Assets</b>	<b>30,828</b>	<b>(143,906)</b>	<b>(113,078)</b>	<b>107,347</b>
<b>Net Assets - Beginning of year</b>	<b>305,043</b>	<b>851,038</b>	<b>1,156,081</b>	<b>1,048,734</b>
<b>Net Assets - End of year</b>	<b>\$ 335,871</b>	<b>\$ 707,132</b>	<b>\$ 1,043,003</b>	<b>\$ 1,156,081</b>

See accompanying notes to the consolidated financial statements.

# Global Heritage Fund

## Statement of Functional Expenses

*Year Ended December 31, 2018*

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 233,124	\$ 65,648	\$ 179,970	\$ 478,742
Payroll taxes and benefits	34,840	15,546	31,744	82,130
Total salaries, payroll taxes and benefits	267,964	81,194	211,714	560,872
Direct project costs	659,256			659,256
Professional fees	51,429	142,063	77,289	270,781
Travel and meetings	63,782	23,020	15,119	101,921
Occupancy	34,711	9,090	23,801	67,602
Event catering			32,199	32,199
Postage, printing, and copying	1,798	1,236	11,875	14,909
Banking fees	17	7,377	4,138	11,532
Computer equipment and software	5,939	4,832	50	10,821
Office and miscellaneous	669	6,979	2,312	9,960
Equipment rent and maintenance	4,537	1,350	3,247	9,134
Insurance	2,252	5,095	1,565	8,912
Other	1,099	6,329	5,230	12,658
Total expenses	\$ 1,093,453	\$ 288,565	\$ 388,539	\$ 1,770,557

See accompanying notes to the consolidated financial statements.

# Global Heritage Fund

## Consolidated Statement of Cash Flows

<i>Year Ended December 31, 2018 (with comparative totals for 2017)</i>	2018	2017
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (113,078)	\$ 107,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,749	2,748
Excess of assets acquired over liabilities assumed in acquisition of Global Heritage Fund U.K.	(30,469)	
Changes in operating assets and liabilities:		
Pledges receivables	132,136	11,084
Other current assets	(2,230)	(3,053)
Accounts payable and other current liabilities	26,924	36,819
Net cash provided by operating activities	16,032	154,945
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment		(2,065)
Net cash used by investing activities		(2,065)
<b>Cash Flows from Financing Activities:</b>		
Cash included in the acquisition of Global Heritage Fund U.K.	37,449	
Net cash provided by investing activities	37,449	
<b>Net Change in Cash and Cash Equivalents</b>	<b>53,481</b>	<b>152,880</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>475,777</b>	<b>322,897</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 529,258</b>	<b>\$ 475,777</b>

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 offices of its subsidiaries in Hong Kong and 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 subsidiaries in Hong Kong, Global Heritage Fund Asia Limited (GHF Asia), and London, Global Heritage Fund U.K. (GHF UK). GHF Asia was incorporated in May 2014 to assist with existing projects in the Asia region and for fundraising efforts. On September 26, 2018, GHF UK completed its effort to become a charity that is dually qualified to receive contributions eligible for deductions in both the United States and the United Kingdom. With this change in structure, GHF also became the acquiring entity under consolidation rules in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). No consideration was transferred in the acquisition of GHF UK. The excess of assets acquired over liabilities assumed in the acquisition of GHF UK of \$30,469 represents the fair market value of identifiable net assets at the date of acquisition and was recorded as a contribution on the consolidated statement of activities and changes in net assets.

All intercompany transactions are eliminated in the consolidation.

#### b. Basis of Presentation

GHF reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of GHF. These net assets may be used at the discretion of GHF's management and its board of trustees.

*Net Assets With Donor Restrictions* – Net assets that are subject to stipulations imposed by donors and grantors. When a donor restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

# 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 net assets with donor 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 net assets with donor restrictions and are reclassified to net assets without donor restrictions.

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. Property and equipment is included in other assets on the statement of financial position.

# Global Heritage Fund

## Notes to Consolidated Financial Statements

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### h. Functional Expenses

The cost of providing the various program and supporting services are reported on a functional basis. Directly identifiable expenses are charged to the related program or service benefited. Expenses that benefit both program and supporting services are allocated as follows:

- Personnel expenses are allocated by each position's classification after considering the functional roles and time spent in those roles.
- Occupancy related costs and other allocable costs are allocated based on the number of full-time equivalents.

### i. Concentration of Credit Risk and Major Donor

Financial instruments that potentially subject GHF 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, 2018 and 2017, management believes all amounts will be collected and no allowance for uncollectible receivables is deemed necessary.

GHF has two major donors in 2018 representing 24% of total revenue and two major donors in 2017 representing 60% of total revenue. Major donors are defined as donors that contribute revenue greater than 10% of GHF's revenue for that year.

### 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.

# Global Heritage Fund

## Notes to Consolidated Financial Statements

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### 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, 2017 from which the summarized information was derived.

### m. Recent Accounting Pronouncements

#### *Adopted*

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of prior year functional expense and liquidity and availability of resource information as permitted by the ASU. This ASU was adopted as of January 1, 2018.

#### *Pronouncements effective in the future*

In February 2016, the FASB issued 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 ASU will be effective for GHF's fiscal year beginning after December 15, 2019. Early application of the amendments in the update is permitted.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement or cancellation of liabilities, is a contribution or an exchange transaction. It provides a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The amendments in this ASU related to contributions received are effective for annual financial statements issued for fiscal year beginning after December 15, 2018, while the amendments related to contributions made are effective one year later.

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

# Global Heritage Fund

## Notes to Consolidated Financial Statements

### Note 3 - Liquid Assets:

GHF's financial assets at December 31, 2018 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	\$ 529,258
Pledges receivable, current	435,761
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Subtotal	965,019
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Less amounts not available to be used for general expenditure:	
Net assets with donor restrictions, excluding donations restricted for time that are expected to expire in the next twelve months	172,000
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Financial assets available to meet general expenditures over the next twelve months	\$ 793,019
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GHF's cash flows fluctuate during the year due to the timing of its contributions and pledges received as well as the expenditure of funds relating to major expenses, such as direct project costs. Of the cash balances at December 31, 2018, \$110,000 was reserved by the Board of Trustees for general operating needs with the purpose of establishing a fund that would ultimately maintain a balance of up to three months of GHF's average annual operating expenditures.

### Note 4 - Pledges Receivable:

Pledges receivable consist of the following at December 31:

	2018	2017
Receivable in less than one year	\$ 435,761	\$ 371,231
Receivable in one to five years	186,667	383,333
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Total	\$ 622,428	\$ 754,564
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# Global Heritage Fund

## Notes to Consolidated Financial Statements

### Note 5 - Net Assets with Donor Restrictions:

Net assets with donor restrictions were available for the following purposes at December 31:

	2018	2017
Projects:		
China Heritage Program	\$ 255,659	\$ 80,000
AMAL Protecting the Past Conference	24,000	
Sagalassos, Turkey	20,000	40,000
United Kingdom projects	5,000	5,000
Myanmar, Burma	4,800	4,800
Banteay Chhmar, Cambodia	3,246	
Mirador Basin, Guatemala		86,674
Greece investigation		33,345
Ciudad Perdida, Colombia		26,307
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Total projects	312,705	276,126
Headquarters, internal projects and resources:		
Donations restricted for time	394,427	574,912
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Total net assets with donor restrictions	\$ 707,132	\$ 851,038

# Global Heritage Fund

## Notes to Consolidated Financial Statements

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

	2018	2017
Projects:		
China Heritage Program	\$ 151,092	\$ 8,000
Cuidad Perdida, Colombia	96,707	106,493
Greece investigation	33,345	33,334
Patan, Nepal	28,000	84,620
Sagalassos, Turkey	26,239	103,223
Saxon Villages Preservation in Daia, Romania	25,000	
AMAL Protecting the Past Conference	18,505	
Churches of Santiago de Cuba, Cuba	18,337	
Copan, Honduras	18,337	
Greece Conservation Training Program	6,881	4,130
Granaries, Morocco	4,094	
Arab Regional Center for World Heritage		100,000
GHF Asia		50,000
Rajasthan, India		40,000
AMAL in Heritage		30,785
Cultural Emergency Program		4,123
Gobekli Tepe, Turkey		2,696
Other projects	4,500	2,208
Total projects	431,037	569,612
Headquarters, internal projects and resources:		
Donations restricted for time	252,484	331,754
Total net assets with donor restrictions released from restriction	\$ 683,521	\$ 901,366

### Note 6 - Operating Lease Commitments:

In November 2015, GHF entered into a non-cancelable operating lease agreement for office space in San Francisco, California. The lease expired in December 2018 but, in April 2019, the lease was extended through March 2022.

# 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, 2018:

2019	\$ 60,000
2020	63,000
2021	65,000
2022	16,000
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Total	\$ 204,000

Rent expense was approximately \$54,000 and \$54,000 in 2018 and 2017, respectively for its San Francisco location.

### **Note 7 - Related Party Transactions:**

Contributions received from members of the Board of Trustees (the Board) or from entities with which the Board members are affiliated in 2018 and 2017 were approximately \$596,000 and \$1,400,000, respectively. Those revenues comprise 36% and 66% of total revenue in 2018 and 2017, respectively.

Amounts due from Board members or from entities with which the Board members are affiliated were approximately \$240,000 and \$300,000 as of December 31, 2018 and 2017.

### **Note 8 - Subsequent Events:**

GHF evaluated subsequent events from December 31, 2018 through September 19, 2019, 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.