

# GLOBAL HERITAGE FUND

MARCH 31, 2020

---

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

# **Global Heritage Fund**

## **Independent Accountant's Review Report and Consolidated Financial Statements**

---

<b>Independent Accountant's Review Report</b>	<b>1 - 2</b>
---	--------------

### **Consolidated Financial Statements**

Consolidated Statement of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 13



BOARD OF TRUSTEES  
GLOBAL HERITAGE FUND  
San Francisco, California

### **Report on the Consolidated Financial Statements**

We have reviewed the accompanying consolidated financial statements of the **GLOBAL HERITAGE FUND** which comprise the consolidated statement of financial position as of March 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the 15 month period then ended and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Consolidated 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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Hood & Strong LLP*

San Francisco, California  
September 3, 2020

# Global Heritage Fund

## Consolidated Statement of Financial Position

March 31, 2020

### Assets

#### Current Assets:

Cash and cash equivalents	\$	394,405
Pledges receivable		208,217
Other current assets		7,506

Total current assets		610,128
----------------------	--	---------

Pledges Receivable, net of current portion		93,811
--	--	--------

Other Assets		21,974
--------------	--	--------

Total assets	\$	725,913
--------------	----	---------

### Liabilities and Net Assets

#### Current Liabilities:

Accounts payable and other current liabilities	\$	104,551
--	----	---------

Total liabilities		104,551
-------------------	--	---------

#### Net Assets:

Without donor restrictions		258,534
With donor restrictions		362,828

Total net assets		621,362
------------------	--	---------

Total liabilities and net assets	\$	725,913
----------------------------------	----	---------

See accompanying notes to the consolidated financial statements.

# Global Heritage Fund

## Consolidated Statement of Activities and Changes in Net Assets

*15 Month Period Ending March 31, 2020*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>			
Contributions	\$ 875,466	\$ 333,423	\$ 1,208,889
In-kind revenue	27,976		27,976
Other revenue	38,177		38,177
Net assets released from restrictions	677,727	(677,727)	
<b>Total revenue and support</b>	<b>1,619,346</b>	<b>(344,304)</b>	<b>1,275,042</b>
<b>Expenses:</b>			
Program services	916,912		916,912
Management and general	370,005		370,005
Fundraising	409,766		409,766
<b>Total expenses</b>	<b>1,696,683</b>		<b>1,696,683</b>
<b>Change in Net Assets</b>	<b>(77,337)</b>	<b>(344,304)</b>	<b>(421,641)</b>
<b>Net Assets - Beginning of year</b>	<b>335,871</b>	<b>707,132</b>	<b>1,043,003</b>
<b>Net Assets - End of year</b>	<b>\$ 258,534</b>	<b>\$ 362,828</b>	<b>\$ 621,362</b>

See accompanying notes to the consolidated financial statements.

# Global Heritage Fund

## Consolidated Statement of Functional Expenses

*15 Month Period Ending March 31, 2020*

	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 229,568	\$ 90,434	\$ 151,109	\$ 471,111
Payroll taxes and benefits	40,606	19,836	25,495	85,937
Total salaries, payroll taxes and benefits	270,174	110,270	176,604	557,048
Direct project costs	419,398			419,398
Professional fees	67,764	167,344	148,550	383,658
Travel and meetings	83,442	30,574	14,265	128,281
Occupancy	46,886	16,335	30,488	93,709
Event catering	18,523	4,323	22,088	44,934
Postage, printing, and copying	2,190	1,197	1,834	5,221
Banking fees		6,598	2,246	8,844
Computer equipment and software	3,962	7,040	4,742	15,744
Office and miscellaneous	107	12,873	3,907	16,887
Equipment rent and maintenance	433	109	267	809
Insurance	2,371	4,933	1,559	8,863
Other	1,662	8,409	3,216	13,287
Total expenses	\$ 916,912	\$ 370,005	\$ 409,766	\$ 1,696,683

See accompanying notes to the consolidated financial statements.

# Global Heritage Fund

## Consolidated Statement of Cash Flows

---

*15 Month Period Ending March 31, 2020*

---

**Cash Flows from Operating Activities:**

Change in net assets	\$ (421,641)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	3,436
Changes in operating assets and liabilities:	
Pledges receivable	320,400
Other current assets	10,120
Accounts payable and other current liabilities	(47,168)

---

Net cash used by operating activities	(134,853)
---------------------------------------	-----------

---

<b>Net Change in Cash and Cash Equivalents</b>	<b>(134,853)</b>
--	------------------

---

<b>Cash and Cash Equivalents - Beginning of year</b>	<b>529,258</b>
--	----------------

---

<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 394,405</b>
--	-------------------

---

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 empower communities through heritage preservation; sustainably preserve, protect and promote irreplaceable heritage sites around the world; and deepen their impact in the global community. 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 been successful at preserving 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.

In 2019, GHF elected to change its fiscal year end from December 31 to March 31.

### 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.

GHF has approximately \$72,000 in assets in its foreign subsidiaries. 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

---

c. Basis of Accounting

The accompanying consolidated 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 to its net assets without donor restrictions.

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

---

### 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. As of March 31, 2020, management believes all amounts will be collected and no allowance for uncollectible receivables is deemed necessary.

GHF had one major donor for the 15 month period ending March 31, 2020 representing 11% 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

The GHF entity in the United States 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. The GHF entities in London and Hong Kong also operate under applicable tax exemptions in those jurisdictions.

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

### k. Use of Estimates

The preparation of consolidated 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. Recent Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. GHF adopted this standard as of January 1, 2019.

### Note 3 - **Liquid Assets:**

GHF's financial assets as of March 31, 2020 that are available to meet general expenditures over the next twelve months are as follows:

#### Financial assets:

Cash and cash equivalents	\$ 394,405
Pledges receivable, current	208,217
<hr/>	
Subtotal	602,622

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	112,591
<hr/>	

Financial assets available to meet general expenditures over the next twelve months	\$ 490,031
<hr/>	

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 as of March 31, 2020, \$150,000 was reserved by the Board of Trustees and is included in net assets without donor restrictions 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.

# Global Heritage Fund

## Notes to Consolidated Financial Statements

During the 15-month period ending on March 31, 2020, management implemented changes in an effort to make GHF more sustainable for the future. This included staffing transitions and Board of Trustees transitions. These changes had short-term impacts on fundraising and on direct project funding and when combined with the impact of COVID-19 (see Note 8), resulted in a net loss during this period. Management has since focused on rebuilding donor relationships, building a robust pipeline of supporters, and strengthening financial management of GHF.

### Note 4 - Pledges Receivable:

Pledges receivable consist of the following as of March 31, 2020:

Receivable in less than one year	\$ 208,217
Receivable in one to five years	93,811
Total	<u>\$ 302,028</u>

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

Net assets with donor restrictions were available for the following purposes as of March 31, 2020:

#### Projects:

Sagalassos, Turkey	\$ 54,098
Conservation Training Program, Greece	42,493
Granaries, Morocco	36,800
Training to Implementation Program	24,000
China Heritage Program	16,000

Total projects	173,391
----------------	---------

#### Headquarters, internal projects and resources:

Donations restricted for time	189,437
-------------------------------	---------

Total net assets with donor restrictions	<u>\$ 362,828</u>
--	-------------------

# Global Heritage Fund

## Notes to Consolidated Financial Statements

Net assets were released from restriction for the following purpose for the 15 month period ending March 31, 2020:

Projects:

China Heritage Program	\$ 240,539
Sagalassos, Turkey	94,696
Granaries, Morocco	34,362
AMAL Protecting the Past Conference	32,000
The Wangduechhoeling Palace	10,782
United Kingdom projects	5,000
Myanmar, Burma	4,800
Banteay Chhmar, Cambodia	3,246
Other projects	15,163

Total projects	440,588
----------------	---------

Headquarters, internal projects and resources:

Donations restricted for time	237,139
-------------------------------	---------

Total net assets with donor restrictions released  
from restriction

\$ 677,727

### 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. Subsequent to March 31, 2020, the lease was again amended in July 2020 to extend through March 2023.

Expected future annual minimum lease payments under the San Francisco lease are as follows as of March 31, 2020:

Year Ended March 31,	
2021	\$ 35,000
2022	26,000
2023	27,000
Total	\$ 88,000

Rent expense was approximately \$78,000 for the 15 month period ending March 31, 2020 for its San Francisco location.

# Global Heritage Fund

## Notes to Consolidated Financial Statements

---

Offices in Hong Kong and London are both under month-to-month lease agreements.

### **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 for the 15 month period ending March 31, 2020 were approximately \$500,000. Those revenues comprise 41% of total revenue for the 15 month period ending March 31, 2020.

Amounts due from Board members or from entities with which the Board members are affiliated were approximately \$80,000 as of March 31, 2020.

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

GHF evaluated subsequent events from March 31, 2020 through September 3, 2020, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements, except as discussed in Note 6 and as follows:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency have been declared in many jurisdictions and shelter in place orders have been instituted in locations worldwide, which impacts general business operations in most industries and sectors. All of GHF's projects have been impacted as a result of COVID-19. GHF had to reduce the planned work on its projects, reduce budgets and shift the focus to address urgent community needs and develop programs to support future resilience. The ability to resume projects depends on the ability to work in each region. GHF is closely monitoring this situation which remains quite dynamic at the issuance date of these financial statements.

Additionally, GHF received \$51,912 under the Paycheck Protection Program in May 2020. GHF is expecting this borrowing and any accrued interest, which accrues at the rate of 1%, to qualify as a forgivable loan.