



# **Germanna Foundation**

Financial Statements

December 31, 2020 and 2019



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# GERMANNA FOUNDATION

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## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees  
Germanna Foundation  
Locust Grove, Virginia

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

We have audited the accompanying financial statements of the Germanna Foundation, which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **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; 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.

### **Auditor's 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. Those standards require that we plan and perform the 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 auditor's 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 the Germanna Foundation as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

September 10, 2021  
Glen Allen, Virginia

## GERMANNA FOUNDATION

### Statements of Financial Position December 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 809,880	\$ 921,143
Inventory	25,128	26,144
Prepaid expenses	10,390	9,168
Other current assets	<u>-</u>	<u>40</u>
Total current assets	<u>845,398</u>	<u>956,495</u>
Investments (Notes 3 and 7)	<u>555,691</u>	<u>181,970</u>
Property and equipment:		
Property and equipment, net of accumulated depreciation (Note 5)	2,019,028	2,071,603
Historical properties	<u>237,047</u>	<u>237,047</u>
Total property and equipment, net	<u>2,256,075</u>	<u>2,308,650</u>
Total assets	<u>\$ 3,657,164</u>	<u>\$ 3,447,115</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 2,361	\$ 620
Accrued expenses and other liabilities	7,462	11,260
Deferred revenue (Note 2)	<u>17,075</u>	<u>16,308</u>
Total current liabilities	26,898	28,188
Deferred revenue (Note 2)	<u>178</u>	<u>434</u>
Total liabilities	<u>27,076</u>	<u>28,622</u>
Net assets:		
Without donor restrictions	3,078,237	2,903,223
With donor restrictions (Note 8)	<u>551,851</u>	<u>515,270</u>
Total net assets	<u>3,630,088</u>	<u>3,418,493</u>
Total liabilities and net assets	<u>\$ 3,657,164</u>	<u>\$ 3,447,115</u>

See accompanying notes to financial statements.

**GERMANNA FOUNDATION**

Statements of Activities  
Year Ended December 31, 2020

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
Support and revenue:					
Contributions	\$ 463,216	\$ -	\$ 463,216	\$ 130,386	\$ 593,602
Grants (Note 11)	-	-	-	83,400	83,400
Annual conference and reunion	8,505	-	8,505	-	8,505
Membership dues	30,533	-	30,533	-	30,533
Publications and merchandise sales, net of cost of good sold (\$4,882)	14,838	-	14,838	-	14,838
Investment returns (Notes 3 and 7)	-	11,445	11,445	53,549	64,994
Other	656	-	656	-	656
	<u>517,748</u>	<u>11,445</u>	<u>529,193</u>	<u>267,335</u>	<u>796,528</u>
Net assets released from restriction	<u>230,754</u>	<u>-</u>	<u>230,754</u>	<u>(230,754)</u>	<u>-</u>
Expenditures:					
Program services	372,756	-	372,756	-	372,756
Supporting services:					
Management and general	162,471	-	162,471	-	162,471
Fundraising	49,706	-	49,706	-	49,706
	<u>584,933</u>	<u>-</u>	<u>584,933</u>	<u>-</u>	<u>584,933</u>
Change in net assets	163,569	11,445	175,014	36,581	211,595
Net assets, beginning of year	<u>2,760,236</u>	<u>142,987</u>	<u>2,903,223</u>	<u>515,270</u>	<u>3,418,493</u>
Net assets, end of year	<u>\$ 2,923,805</u>	<u>\$ 154,432</u>	<u>\$ 3,078,237</u>	<u>\$ 551,851</u>	<u>\$ 3,630,088</u>

See accompanying notes to financial statements.

## GERMANNA FOUNDATION

Statements of Activities  
Year Ended December 31, 2019

	Without Donor Restrictions			With Donor Restrictions	Total
	Operating	Board Designated	Total		
Support and revenue:					
Contributions	\$ 350,248	\$ -	\$ 350,248	\$ 734,677	\$ 1,084,925
Annual conference and reunion	35,460	-	35,460	-	35,460
Membership dues	31,054	-	31,054	-	31,054
Publications and merchandise sales, net of cost of good sold (\$3,438)	8,468	-	8,468	-	8,468
Germany trip	62,558	-	62,558	-	62,558
Investment returns (Notes 3 and 7)	-	19,147	19,147	1,983	21,130
Other	807	-	807	-	807
	488,595	19,147	507,742	736,660	1,244,402
Net assets released from restriction	992,709	-	992,709	(992,709)	-
Net assets transferred	(6,833)	6,833	-	-	-
Expenditures:					
Program services	457,115	-	457,115	-	457,115
Supporting services:					
Management and general	173,489	-	173,489	-	173,489
Fundraising	38,459	-	38,459	-	38,459
	669,063	-	669,063	-	669,063
Change in net assets	805,408	25,980	831,388	(256,049)	575,339
Net assets, beginning of year	1,954,828	117,007	2,071,835	771,319	2,843,154
Net assets, end of year	\$ 2,760,236	\$ 142,987	\$ 2,903,223	\$ 515,270	\$ 3,418,493

See accompanying notes to financial statements.

**GERMANNA FOUNDATION**

Statements of Functional Expenses  
Year Ended December 31, 2020

	Program Services				Supporting Services		Total	
	Visitor Center	Hitt Farm	Salubria	Fort Germanna	Hitt Center	Management and General		Fundraising
Salaries	\$ 69,637	\$ 5,172	\$ 14,828	\$ 80,657	\$ 55,377	\$ 44,542	\$ 33,259	\$ 303,472
Payroll taxes	5,958	416	1,209	7,651	4,717	3,654	2,697	26,302
Annual conference and reunion	4,276	-	-	-	-	-	-	4,276
Germany trip	450	-	-	-	-	-	-	450
Professional fees	-	-	-	-	-	48,805	-	48,805
Printing and publications	6,568	-	-	132	-	-	8,960	15,660
Ground and maintenance	6,000	1,032	18,913	4,103	-	-	-	30,048
Insurance	2,483	-	2,432	-	-	6,553	-	11,468
Supplies	12	-	-	494	237	10,008	-	10,751
Website and internet	15,346	-	-	-	-	8,934	-	24,280
Occupancy	3,823	-	726	-	3,348	1,641	-	9,538
Telephone	-	-	-	-	-	2,986	746	3,732
Postage	6,117	-	-	-	-	-	4,044	10,161
Travel	-	-	-	-	-	4,655	-	4,655
Depreciation	28,032	-	-	-	21,611	14,857	-	64,500
Other	180	-	-	690	129	15,836	-	16,835
<b>Total expenditures</b>	<b>\$ 148,882</b>	<b>\$ 6,620</b>	<b>\$ 38,108</b>	<b>\$ 93,727</b>	<b>\$ 85,419</b>	<b>\$ 162,471</b>	<b>\$ 49,706</b>	<b>\$ 584,933</b>

See accompanying notes to financial statements.



## GERMANNA FOUNDATION

### Statements of Functional Expenses Year Ended December 31, 2019

	Program Services				Supporting Services		Total	
	Visitor Center	Hitt Farm	Salubria	Fort Germanna	Hitt Center	Management and General		Fundraising
Salaries	\$ 75,661	\$ 5,161	\$ 39,892	\$ 50,063	\$ 52,944	\$ 38,133	\$ 23,677	\$ 285,532
Payroll taxes	6,943	424	2,161	6,845	4,873	3,214	1,961	26,420
Annual conference and reunion	21,432	-	-	-	-	-	-	21,432
Germany trip	53,581	-	-	-	-	-	-	53,581
Professional fees	-	-	-	-	-	66,592	-	66,592
Printing and publications	30,395	-	-	-	-	-	4,111	34,507
Ground and maintenance	5,716	9,081	9,091	1,190	753	-	-	25,831
Insurance	1,969	-	2,376	-	-	6,872	-	11,217
Supplies	-	-	-	684	5,000	7,889	531	14,104
Website and internet	9,997	-	-	-	-	1,839	-	11,836
Occupancy	4,362	-	1,619	1,214	1,971	1,863	-	11,029
Telephone	-	-	-	-	-	2,679	670	3,348
Postage	4,350	-	-	-	-	-	211	4,561
Travel	-	-	-	-	-	6,336	-	6,336
Depreciation	27,787	-	-	-	14,347	12,917	-	55,051
Other	-	-	-	5,230	-	25,155	7,299	37,684
<b>Total expenditures</b>	<b>\$ 242,194</b>	<b>\$ 14,667</b>	<b>\$ 55,139</b>	<b>\$ 65,227</b>	<b>\$ 79,888</b>	<b>\$ 173,489</b>	<b>\$ 38,459</b>	<b>\$ 669,063</b>

See accompanying notes to financial statements.

## GERMANNA FOUNDATION

### Statements of Cash Flows Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 211,595	\$ 575,339
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	64,500	55,051
Noncash contribution	(3,116)	-
Investment returns reinvested	(6,930)	(4,857)
Net realized and unrealized gain on investments	(58,064)	(16,273)
Paycheck Protection Program Loan forgiveness	(56,250)	-
Change in assets and liabilities:		
Inventory	1,016	2,404
Prepaid expenses	(1,222)	(894)
Other current assets	40	(40)
Accounts payable	1,741	(62,070)
Accrued expenses	(3,798)	9,441
Deferred revenue	511	(5,076)
	<u>150,023</u>	<u>553,025</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(11,925)	(484,569)
Purchase of investments	(305,611)	(43,833)
	<u>(317,536)</u>	<u>(528,402)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program Loan	56,250	-
	<u>56,250</u>	<u>-</u>
Net change in cash and cash equivalents	(111,263)	24,623
Cash and cash equivalents, beginning of year	<u>921,143</u>	<u>896,520</u>
Cash and cash equivalents, end of year	<u>\$ 809,880</u>	<u>\$ 921,143</u>

See accompanying notes to financial statements.

# GERMANNA FOUNDATION

## Notes to Financial Statements

### 1. Organization and Mission:

The Memorial Foundation of the Germanna Colonies in Virginia, Inc. (the Germanna Foundation) is a Virginia non-profit organization incorporated on March 14, 1956.

The name Germanna, selected by Lieutenant Governor Alexander Spotswood (Spotswood), reflected both the German immigrants who sailed across the Atlantic Ocean to the Colony of Virginia and Anne, Queen of Great Britain, France and Ireland, who was in power at the time of the founding of Germanna in 1714.

Germanna Foundation tells stories of the households that made up the Germanna community. Germanna was a thriving community from 1714 until the mid-1850's. Germanna Foundation relates stories of migration and immigration, both voluntary and forced. German speakers from the Siegen and later the Kraichgau regions of Germany traveled to London and migrated to America in the early 1700's seeking opportunity and stability in their lives. They were indentured to Lt. Governor Alexander Spotswood for several years. Once their term of indenture was fulfilled, they moved west into today's Fauquier and Madison counties in Virginia. These German immigrants were replaced by a small community of British craftsmen and enslaved Africans. Africans were imported as slave labor to Germanna to first assist with the building of Spotswood's "Enchanted Castle" and then to work in the mining of iron ore.

The mission of the Germanna Foundation is to tell America's story of liberty through the frontier experience of her settlers and descendants using archaeological, historical, and genealogical research and interpretation. Germanna is a center for the study of Virginia's early eighteenth-century culture and exploration. The Germanna Foundation uses its historic and archaeological sites to explore experiences with, and effects of, the migration of diverse cultures in Virginia.

#### Land Conservation

Since 1956, the Germanna Foundation has owned and managed about 176 acres of riparian deciduous forest called Siegen Forest located between the Rapidan River and Virginia Route 3 (Germanna Highway) in Orange County, Virginia. The Germanna Foundation developed hiking trails on the land with the assistance of skilled professionals and dedicated volunteers, including area Boy Scouts. The Germanna Foundation is committed to wise stewardship of this historic area by working with the Commonwealth of Virginia and private-sector conservation groups, as well as making the educational value of this historic site available to the public.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 1. Organization and Mission, Continued:

##### Land Conservation, Continued

The Germanna Foundation's Fort Germanna Visitor Center (Visitor Center) houses the Germanna museum and the Evelyn C. Martin Genealogical Research Library; the Hitt Archaeology Center (dedicated in 2019) and Memorial Garden are located on the Siegen Forest campus, adjacent to the Locust Grove campus of Germanna Community College, whose 100-acre site was donated by the Germanna Foundation to the Commonwealth of Virginia in 1969 for the purpose of founding the college.

##### Historic Preservation and Archaeological Investigation

The Germanna Foundation's Archaeology program has partnered with Dr. Bernard Means (Faculty Member of the Anthropology Department and School of World Studies at Virginia Commonwealth University), since 2016. The Germanna Foundation has hosted the Virginia Commonwealth University (VCU) Field School since that start. The Field School is a six-week hands-on, experiential learning opportunity for students interested in archaeology. The students are introduced to data collection methods on a real world, working excavation site. In the practice of professional and academic archaeology, Field Schools are seen as a "gateway" experience to entering the profession. The partnership between the Germanna Foundation and VCU provides a unique experience for Virginia students on an important Virginia Site. Due to the ongoing COVID 19 pandemic and the cancelation of in-person classes at VCU, the VCU Field School did not take place in 2020. It is Germanna intention that once classes return to in-person learning, we will continue to partner with Dr. Bernard Means and the VCU Field School.

In December 2020, the artifacts uncovered during the excavations at the Fort Germanna and Enchanted Castle sites from the 1970s and 1980s arrived at the Hitt Archaeology Center from the University of Mary Washington. The collection includes not only artifacts but also, the notes, drawings and other data from previous archaeologists' excavations of the Enchanted Castle ruins. The artifacts are on loan from the Virginia Department of Historic Resources (DHR) to the Germanna Foundation, where they will be safely housed in the Hitt Archaeology Center for the purposes of study, analysis and exhibit. The artifacts on loan from DHR will allow researchers and scholars to access these collections.

In 2019, The Germanna Foundation conducted a systematic shovel-test survey of the entirety of its 19.5 acre tract at Salubria in Culpeper County. This was done to provide a baseline understanding of the cultural resources associated with the 1757 house and its immediate surrounds. The property was transferred to the Germanna Foundation in 2000, with a protective conservation easement with the DHR as the easement grantee.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 1. Organization and Mission, Continued:

##### Historic Preservation and Archaeological Investigation, Continued

Before 2019, no systematic survey of this historic property had been undertaken. Three students from VCU Field School together with the Germanna Foundation's three summer Interns, conducted the survey under the Direction of Dr. Eric Larsen (Director of Archaeology for the Germanna Foundation), Dr. Bernard Means (VCU) and Alison Hodges (Summer Assistant Director for the Germanna Foundation). The findings and resulting maps provide the Germanna Foundation with a planning document that will aid in decisions of future use and development of the historic site.

In 2018 and 2019, the Germanna Foundation constructed the Hitt Archaeology Center, which was placed into service in May 2019 as a headquarters for the Germanna Foundation archaeology program. The Hitt Archaeology Center gives the Germanna Foundation a place to clean, study, store and evaluate artifacts found on Germanna properties. This 3,000-square foot facility has space for long-term storage of artifacts, a lab for the cataloging and study of those artifacts as well as facilities for cleaning and preserving items found in the field. The storage provides a controlled environment ensuring the preservation of artifacts stored.

The Hitt Archaeology Center is a place where scholars can visit and study artifacts from the Germanna Foundation collection, including artifacts recovered from Alexander Spotswood's Enchanted Castle, and the Fort Germanna, Salubria and the Hitt Farm sites.

In September 2017, the Germanna Foundation acquired a 7.4-acre property in Marshall Magisterial District, Fauquier County, Virginia. The property is adjacent to the 4.2-acre property which contains the historic Peter Hitt cemetery site. These two properties are referred to by Germanna Foundation as the Hitt Farm. The Germanna Foundation maintains this property with the goal of caring for it and making it available to researchers, conservationists, and descendants.

In October 2013, the Germanna Foundation acquired a 62.2-acre tract of land situated in the Gordon District of Orange County, Virginia from the Commonwealth of Virginia, which had been managed by the University of Mary Washington (UMW). This land contains the archaeological site of Fort Germanna and Alexander Spotswood's "Enchanted Castle." This property is protected by a conservation easement donated by the Germanna Foundation to DHR.

In February 2007, the Germanna Foundation acquired a 4.2-acre property which contains the historic Peter Hitt cemetery site located in Marshall Magisterial District, Fauquier County, Virginia. The Germanna Foundation maintains this historic property with the goal of caring for it and keeping it available for future researchers, conservationists, and descendants.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 1. Organization and Mission, Continued:

##### Historic Preservation and Archaeological Investigation, Continued

In October 2000, the Germanna Foundation accepted stewardship of Salubria, an 18<sup>th</sup> century Georgian style mansion with 19.6 acres of wooded grounds and a terraced boxwood garden located in Culpeper County, Virginia in order to preserve this historic property and legacy. This property is also protected by a conservation easement held by DHR.

##### Education

Education is central to the Germanna Foundation mission. The Visitor Center holds a large collection of books and genealogy records, as well as interpretive exhibits that tell the Germanna history.

Since its formation in 1956, the Germanna Foundation has published 21 books that cover a wide range of historic topics relating to Germanna, as well as genealogies of many of the families.

Since 1957, the Germanna Foundation has held an annual July conference and reunion, continuing a tradition started in the 1940's by its unincorporated predecessor. The program includes guided tours of historic sites in the Virginia counties of Orange, Culpeper, Fauquier, and Madison that are associated with the Germanna families. In addition, during the annual conference local and nationally-recognized speakers present talks on topics of German-American interest, genealogy, colonial history, archaeology, and historic preservation.

The Germanna Foundation publishes a professionally-designed newsletter four times a year that reflects information about Germanna Foundation activities and programs, informative articles about Germanna-related historic sites in Germany and the United States.

The Germanna Foundation operates and maintains a website, [www.germanna.org](http://www.germanna.org), that contains historical information, news, officer, trustee and staff profiles, program promotion, historical articles and a store where all publications and related items can be ordered online.

The Germanna Foundation also offers educational opportunities to college and graduate students through supervised summer internships that provide hands-on experience in research, public relations, and the administration of a historic site and organization.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 1. Organization and Mission, Continued:

##### Cultivation of Transatlantic Relations

The development of strong ties with ancestral villages of Germanna colonists and supporters of the Germanna Foundation living in Germany has been an important part of the Germanna Foundation's mission since its inception. Ties with researchers and genealogists in Siegen, Germany remain strong to the present. Official delegations from Germany have visited the Germanna Foundation over the years, including several by Volkmar Klein, member of the budget committee of the German Parliament in Berlin.

The Germanna Foundation leads group tours annually to Germany. Each group tour is custom designed, whether the person is a Germanna descendent of the First or Second Germanna Colony, has German roots, or has an interest in German culture. In 2020, no group tour was held due to the COVID-19 pandemic.

#### 2. Summary of Significant Accounting Policies:

**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 (GAAP).

**Basis of Presentation:** Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Germanna Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions represents funds that impose no restrictions on the Germanna Foundation as to their use or purpose. Such funds are expended for charitable purposes as deemed appropriate by the Board of Trustees and for operating purposes.

Board-designated net assets without donor restrictions represents funds set aside by the Board of Trustees to be used as an operating reserve to meet cash flow needs and for other special purposes as approved by the Board of Trustees.

Net assets with donor restrictions are subject to donor-imposed stipulations that will be met either by actions of the Germanna Foundation and/or the passage of time. These net assets represent contributions and other income, which must be spent for the purpose designated by the donors. Expirations of temporary restrictions on net assets (i.e., donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Net assets with donor restrictions on contributions to acquire long-lived assets are considered met in the period in which the assets are acquired and placed into service.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Basis of Presentation, Continued:** Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Gains and losses in the present value of contributions receivable are included as contributions revenue or loss. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Cash and Cash Equivalents:** For purposes of the statements of cash flows, the Germanna Foundation considers all highly liquid securities not included in the investment portfolio that were purchased with a maturity of three months or less to be cash equivalents.

**Inventory:** Inventory consists of books and merchandise held for sale. Inventory is accounted for at the lower of cost (as determined by the first-in, first-out (FIFO) method) or net realizable value.

**Investments and Investment Income:** The Germanna Foundation accounts for its investments at fair value (refer to Note 7).

**Credit Risk and Concentrations:** Financial instruments that potentially subject the Germanna Foundation to concentrations of credit risk consist principally of cash and cash equivalents, pledge receivables, and investments. The Germanna Foundation maintains its cash and cash equivalents in a financial institution with balances that periodically exceed federally insured limits. The Germanna Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and temporary cash investments.

The Germanna Foundation invests in professionally-managed mutual funds that contain stocks, bonds, a market neutral fund, and commodities. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

For the year ended December 31, 2020, two donors accounted for 59% of total support and revenue. For the year ended December 31, 2019, two donors accounted for 79% of total support and revenue.



## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Property and Equipment:** Property and equipment are stated at cost, less accumulated depreciation. Major repairs and betterments are capitalized and normal maintenance and repairs are charged to expense as incurred. Depreciation is computed by the straight-line method over the estimated useful lives of the related assets, ranging from 5 to 40 years. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

**Historical Properties:** Historical properties donated to the Germanna Foundation are recorded at the fair value established by the donor at the date of the deed of gift. All subsequent restoration costs are capitalized and added to the cost of the historic property. Historic properties are not subject to provisions for depreciation. Improvements (such as modernized mechanical systems) and additions to historical properties are recorded as building improvements in property and equipment, and are subject to depreciation. Repairs and maintenance costs related to historical properties are expensed as incurred.

**Collection Objects:** In conformity with the practice followed by most museums, the Germanna Foundation's financial statements exclude the value of the collection objects and library holdings, and no determination has been made as to the aggregate value of such items. Purchases of collection items are recorded as decreases in net assets without donor restrictions or net assets with donor restrictions if the assets used to purchase collection items are restricted by the donor. Refer to Note 4 for a description of the collection objects and library holdings.

**Impairment or Disposal of Long-Lived Assets:** Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairments were identified during the years ended December 31, 2020 and 2019.

**Deferred Revenue:** Deferred revenue consists of advance payments related to multiple year memberships and security deposits for the annual trip to Germany.

**Paycheck Protection Program Loan:** The Germanna Foundation's policy is to account for the Paycheck Protection Program Loan as debt (refer to Note 11). The Germanna Foundation will continue to record the loan as debt until either (1) the loan is partially or entirely forgiven and the debtor has been legally released, at which point the amount forgiven would be recorded into income or (2) the Germanna Foundation pays off the loan.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Revenue Recognition:** The Germanna Foundation recognizes revenue from transactions involving nonexchange transactions and exchange transactions. Revenue from nonexchange transactions (contributions and grants) is recognized when received, when unconditional promises to give are made, or when grant awards are executed. Revenue from exchange transactions is recognized at a point in time (annual conference and reunion and publications and merchandise sales) or over time (membership dues) based upon how the value for the transaction transfers to the customer/member. There are no contract assets at December 31, 2020 or 2019. Contract liabilities at December 31, 2020 and 2019 are recorded as deferred revenue on the accompanying statements of financial position.

**Functional Allocation of Expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and a functional and natural classification basis in the statements of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The following expenses are allocated based on time and effort: salaries, payroll taxes, printing and publications, ground and maintenance, website and internet, occupancy, depreciation, and other expenses.

**Contributed Services:** The Germanna Foundation receives services from volunteers for support of the Germanna Foundation's activities. The value of these services is not clearly measurable and is not recorded in the financial statements.

**Income Taxes:** The Germanna Foundation received a favorable determination letter from the Internal Revenue Service in August 1958, stating that it is exempt from income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

**Income Tax Uncertainties:** The Germanna Foundation has adopted financial reporting guidance related to accounting for uncertainty in income taxes, which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Germanna Foundation's financial statements. The guidance also provides criteria on derecognition, classification, interest and penalties, disclosure and transition.

The Germanna Foundation discloses the expected future tax consequences of uncertain tax positions presuming the taxing authorities' full knowledge of the facts and the Germanna Foundation's position, and records unrecognized tax benefits or liabilities for known, or anticipated tax issues based on the Germanna Foundation's analysis of whether additional taxes would be due to the authority given their full knowledge of the tax position. The Germanna Foundation has completed its assessment and determined that there are no tax positions which would require recognition. The Germanna Foundation is not currently under audit by any jurisdiction.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 2. Summary of Significant Accounting Policies, Continued:

**Advertising:** The Germanna Foundation expenses advertising costs as they are incurred.

**Use of Estimates:** Management of the Germanna Foundation has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Actual results could differ from those estimates.

**Reclassifications:** Certain prior year balances have been reclassified to conform with the current year presentation.

#### 3. Investments:

Investments at December 31, 2020 are comprised of the following:

	Market	Cost
Vanguard Managed Allocation Fund (VPGDX)	\$ 147,380	\$ 138,820
Vanguard Total Stock Market Index Fund Admiral Shares (VTSAX)	12,522	10,075
Vanguard Balance Index Fund Admiral Shares (VBIAX)	392,532	347,484
Vanguard Brokerage	3,257	-
	\$ 555,691	\$ 496,379

Investments at December 31, 2019 are comprised of the following:

	Market	Cost
Vanguard Managed Allocation Fund (VPGDX)	\$ 135,265	\$ 131,260
Vanguard Total Stock Market Index Fund Admiral Shares (VTSAX)	7,722	6,926
Vanguard Balance Index Fund Admiral Shares (VBIAX)	38,983	37,286
	\$ 181,970	\$ 175,472

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 3. Investments, Continued:

Investment returns for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Investment income	\$ 6,930	\$ 4,857
Unrealized gain	48,126	12,376
Realized capital gains	8,149	411
Return of capital	<u>1,789</u>	<u>3,486</u>
	<u>\$ 64,994</u>	<u>\$ 21,130</u>

In 2020 and 2019, the Germanna Foundation invested in the Vanguard Total Stock Market Index Fund Admiral Shares, a Vanguard mutual fund, ticker symbol VTSAX from donations received in connection with the time capsule that was placed inside the Hitt Archaeology Center in 2019. Prior to 2068, investment returns will be reinvested into VTSAX. Principal and interest will be released when the time capsule is opened in 2068. Once the principal and interest are released, it is the Germanna Foundation's long-term plan that it will be used to support operations and programs of the Germanna Foundation.

In 2020 and 2019, the Germanna Foundation invested in the Vanguard Balance Index Fund Admiral Shares, a Vanguard mutual fund, ticker symbol VBIAX from donations received to fund expenses incurred by the Hitt Farm property. It is the Germanna Foundation's plan to use investment returns to support routine maintenance of the Hitt Farm property. Germanna Foundation may also reinvest the investment returns into VBIAX or use the investment returns and principal to fund future projects at the Hitt Farm property.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 4. Collections:

The Germanna Foundation collects manuscripts, books, maps, newspapers, photographs, portraits, and other works of art, as well as artifacts from archaeological investigations that are related to Virginia and American history. The Germanna Foundation's collections are maintained for research, education, and public exhibition in furtherance of public service rather than for financial gain. Collections are the most valuable assets of the Germanna Foundation and are protected, kept unencumbered, cared for, preserved, and cataloged.

Intellectual as well as physical control of all collections is maintained by an extensive paper trail including provenance of origin; accession date; terms of gift or purchase price, whichever is applicable; physical description and condition report; location; and conservation record.

In conformity with American Association of Museum guidelines, collections are deaccessioned rarely and in close adherence to specific steps, culminating in approval from the Germanna Foundation's Board of Trustees. The sale of deaccessioned collection items is used to acquire new items for collections or for the care and maintenance of the collections.

The Germanna Foundation does not include either the cost or the value of its collections in the statements of financial position, nor does it recognize gifts of collection items as revenues in the statements of activities.

#### 5. Property and Equipment:

A summary of property and equipment at December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 623,256	\$ 623,256
Buildings and improvements	1,994,091	1,998,759
Furniture and equipment	<u>134,347</u>	<u>117,755</u>
Total	2,751,694	2,739,770
Less accumulated depreciation	<u>(732,666)</u>	<u>(668,167)</u>
Property and equipment, net	<u>\$ 2,019,028</u>	<u>\$ 2,071,603</u>

The Germanna Foundation recorded depreciation expense of \$64,500 and \$55,051 for the years ended December 31, 2020 and 2019, respectively.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 6. Endowment Funds:

There is one endowment fund at the Germanna Foundation at and for the years ended December 31, 2020 and 2019 that is invested in the Vanguard Managed Allocation Fund, a Vanguard mutual fund, ticker symbol VPGDX. On May 21, 2020, the Vanguard Managed Payout Fund was renamed Vanguard Managed Allocation Fund. The endowment fund includes funds designated by the Board of Trustees to function as an endowment. The investment returns from VPGDX are reinvested into VPGDX, but it is the Germanna Foundation's long-term plan that the annual investment returns will be used to support operations and programs of the Germanna Foundation. As required by GAAP, net assets associated with an endowment fund, including funds designated by the Board of Trustees to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### Principal Investment Strategy

At December 31, 2020 and 2019, VPGDX (the Fund) invests in fourteen and eleven Vanguard mutual funds and other investments, respectively, according to an asset allocation strategy designed to provide shareholders with capital appreciation and moderate income from their investments in the Fund. The Fund may allocate its assets across a broadly diversified selection of opportunities, such as stocks, bonds, cash, inflationary-linked investments, and selected other investments that employ strategies that have historically generated capital appreciation over the long term while exhibiting low correlation with the returns of the U.S. stock market. The expected return characteristics of these other investments offer potential diversification to a balanced portfolio of stocks, bonds, and cash. The Fund uses quantitative analysis and professional judgment in an attempt to combine complementary asset classes and investment across the risk and reward spectrum. The exact proportion of each asset class or investment may be changed to reflect shifts in the Fund's risk and return expectations. Although the Fund has flexibility to invest substantially in a single asset class or investment, the Fund is generally expected to allocate its assets across multiple asset classes and investments.

Prior to May 21, 2020, the Fund made monthly distributions of \$.0543 per share and were determined based on a specified percentage payout rate of 4% of the Fund's average net asset value. Effective May 21, 2020, the distribution frequency changed from monthly to annual. The portion of distributions that exceeds a Fund's current and accumulated earnings and profits, as measured on a tax basis, constitute a non-taxable return of capital. Distributions are reallocated at fiscal year-end to ordinary income, capital gain, and return of capital to reflect their tax character. The Germanna Foundation's Board of Trustees has elected to reinvest all of the Funds distributions since inception in additional Fund shares and it is the Board of Trustees intent to continue to reinvest all distributions by the Fund during 2021.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 6. Endowment Funds, Continued:

##### Principal Risks

The Fund's investment strategies are intended to create a moderate level of risk for the Fund. An investment in the Fund, however, could lose money over short, intermediate, or long periods of time because the Fund allocates its assets worldwide across different asset classes and investments with specific risk and return characteristics. Results may vary substantially over time, and there is no guarantee that the Fund will achieve its investment objective or that any of its investment strategies will succeed.

The Fund is subject to one or more risks, such as manager risk and asset allocation risk, U.S. stock risks, foreign stock risks, bond risks, inflation-linked investment risk, commodity-linked investment risks, market neutral investment risk, absolute return investing risk, and derivative risk.

Endowment net asset composition included \$147,380 and \$135,265 of board-designated funds as of December 31, 2020 and 2019, respectively.

Changes in endowment net assets were as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net assets, beginning of year	\$ 135,265	\$ 117,007
Investments gain, net	<u>12,115</u>	<u>18,258</u>
Net assets, end of year	<u>\$ 147,380</u>	<u>\$ 135,265</u>

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 7. Fair Value Measurements:

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

This guidance provides a framework for measuring fair value under GAAP and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. This guidance also establishes a fair value hierarchy which prioritizes the valuation inputs into three broad levels. Based on the underlying inputs, each fair value measurement in its entirety is reported in one of three levels:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 Quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

**Mutual funds:** Valued at the net asset value (NAV) of shares held by the Germanna Foundation at year end.

Assets measured at fair value on a recurring basis of \$555,691 at December 31, 2020 and \$181,970 at December 31, 2019 were valued using Level 1 criteria.

The Germanna Foundation did not have any liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019.



## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 8. Net Assets With Donor Restrictions:

Net assets with donor restrictions include the following at December 31:

	<u>2020</u>	<u>2019</u>
Fort Germanna	\$ 100,000	\$ 100,000
Hitt Farm	396,896	344,378
Other (including time restrictions)	<u>54,955</u>	<u>70,892</u>
	<u>\$ 551,851</u>	<u>\$ 515,270</u>

Net assets released from restriction were the result of expenses incurred in satisfying the restricted purposes of contributions during 2020 and 2019.

#### 9. Commitments and Contingencies:

In connection with the construction of the Hitt Archaeology Center, the Germanna Foundation entered into a contract with a contractor on July 18, 2018 for \$720,000, subject to additions and deductions as provided in the contract agreement. Payments to the contractor were paid based on the percentage of completion in accordance with the contract agreement. As of December 31, 2019, there are no further payments required to be made to the contractor as the construction of the Hitt Archaeology Center was completed and placed into service in 2019.

In connection with Germanna Foundation's acquisition of the 62.2 acre tract of land situated in the Gordon District of Orange County, Virginia (the "Fort Germanna Property") from the UMW, Germanna Foundation entered into a cooperative agreement on October 3, 2013 with the Commonwealth of Virginia through the Rector and Visitors of UMW to explore, research, excavate and interpret the historic and archaeological potential of the Fort Germanna Property. The Germanna Foundation agreed to account for the costs incurred to preserve, explore, excavate and interpret the Fort Germanna Property. In accordance with the agreement, when the total of such expenditures equals or exceed \$575,200, the Germanna Foundation will have the right to seek termination of the reverter clause in the agreement. At December 31, 2019, Germanna Foundation had incurred total expenditures of \$1,396,409 to preserve, explore, excavate and interpret the Fort Germanna Property. In February 2020, the Germanna Foundation requested from UMW to terminate the reverter clause in the cooperative agreement, dated October 3, 2013. On June 10, 2020, the Germanna Foundation received notice from UMW that the request from the Germanna Foundation to terminate the reverter clause in the cooperative agreement had been approved.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 9. Commitments and Contingencies, Continued:

The Germanna Foundation entered into a contract with a contractor on September 11, 2018 to perform agreed upon procedures in working with the Board of Trustees and staff to develop and give direction and leadership to the formulation and achievement of the Germanna Foundation's strategic goals, mission, and annual objectives, as well as to cultivate additional revenue sources. The contract includes a total package price not to exceed \$50,000 annually and will be paid in monthly installments of \$4,000. As of December 31, 2020, there are no further payments required to be made to the contractor as the contract was terminated in September 2020 in accordance with the contract terms, which releases the Germanna Foundation and the contractor from any responsibilities for services or further payments that are connected to the contract.

The Germanna Foundation entered into a consulting agreement with a contractor on September 16, 2020 to provide active and ongoing counsel to the President of the Board of Trustees and the Germanna Foundation's Executive Director and staff to advance the financial sustainability of the Germanna Foundation long-term. This one-year contract begins in October 2020 and ends on September 30, 2021. The contract includes a total package price of \$18,000 and will be paid \$2,000 per month for the first six months and \$1,000 per month for the final six months. As of December 31, 2020, \$14,000 is still available to be paid through September 30, 2021.

#### 10. Liquidity and Availability of Financial Assets:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 809,880	\$ 921,143
Investments	<u>555,691</u>	<u>181,970</u>
Total financial assets available within one year	1,365,571	1,103,113
Net assets with donor restrictions - cash and cash equivalents	(150,592)	(476,287)
Net assets with donor restrictions - other	(401,259)	(38,983)
Net assets without donor restrictions - board-designated	<u>(154,432)</u>	<u>(142,987)</u>
Total financial assets available within one year after net assets with donor restrictions	<u>\$ 659,288</u>	<u>\$ 444,856</u>

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 10. Liquidity and Availability of Financial Assets, Continued:

As part of the Germanna Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures become due. The Germanna Foundation takes a conservative approach to liquidity management to ensure funding availability to meet its needs. Additionally, the Germanna Foundation has board-designated net assets without donor restrictions that are held as an operating reserve.

#### 11. Paycheck Protection Program Loan:

In response to the economic instability caused by COVID-19, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act.

The Germanna Foundation applied for and was approved for a PPP Loan in the amount of \$56,250. The loan was funded on May 4, 2020. The loan accrues interest at 1.0%, but payments are not required to begin for ten months after the end of the covered period of the PPP Loan. The Germanna Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The PPP Loan is uncollateralized and is fully guaranteed by the Federal government.

As of December 31, 2020, the Germanna Foundation had used the loan proceeds for qualifying costs, and in February 2021, the PPP Loan was fully forgiven. Based on these facts and circumstances, the Germanna Foundation elected to recognize the loan forgiveness as of December 31, 2020 and reflect the amount of \$56,250 as grant income in the accompanying 2020 statement of activities.

#### 12. Risks and Uncertainties:

In March 2020, COVID-19 was declared a worldwide health pandemic and has had a significant impact on the national and global economy, as well as the museum and tourism industries. The ultimate impact of COVID-19 on the Germanna Foundation continues to be unknown. However, management and the Board of Trustees continue to monitor the impact of COVID-19 on its mission and operations to appropriately reflect its outcomes in the Germanna Foundation's financial statements.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 13. Subsequent Events:

Management has evaluated subsequent events through September 10, 2021, the date the financial statements were available to be issued, and other than as described below, there are no subsequent events to be recognized or disclosed in the accompanying financial statements.

On January 29, 2021, the Germanna Foundation applied for and was approved for a 2<sup>nd</sup> PPP Loan in the amount of \$44,820. The loan was funded on February 1, 2021. The loan accrues interest at 1.0% per annum, but payments are not required to begin until February 28, 2022. Upon meeting certain requirements, the Germanna Foundation is eligible for loan forgiveness of up to 100% of the loan. The PPP Loan is uncollateralized and is fully guaranteed by the Federal government.

As of September 10, 2021, the Germanna Foundation had used the loan proceeds for qualifying costs. The Germanna Foundation will ask for loan forgiveness once able to submit the application for forgiveness. The Germanna Foundation fully expects to receive loan forgiveness.

#### 14. New Accounting Guidance:

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2020-07, “Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.” The standard provides additional guidance to nonprofit organizations on how to record and disclose in-kind contributions. The overall purpose of the update is to provide more transparency in how organizations are receiving and valuing in-kind contributions. The ASU requires nonprofit organizations to present in-kind contributions as a separate line item in the statement of activities and to provide additional disclosures in the footnotes covering the following areas:

- A description of the organization’s policy for monetizing or utilizing in-kind contributions;
- A listing of in-kind contributions categorized by type with a description about whether each type was monetized or utilized during the reporting period;
- For in-kind contributions that were utilized during the reporting period, the nonprofit must include a description of the programs or activities in which those contributions were used; and
- A description of the valuation process utilized by the organization to determine the fair value of the in-kind contributions.

The ASU is effective for periods beginning after June 30, 2021. The Germanna Foundation is currently evaluating the reporting and economic implications of the new standard.