



# **Germanna Foundation**

Financial Statements

December 31, 2021 and 2020



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# GERMANNA FOUNDATION

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Germanna Foundation  
Locust Grove, Virginia

### Opinion

We have audited the accompanying financial statements of Germanna Foundation (the "Foundation"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



June 27, 2022  
Glen Allen, Virginia

## GERMANNA FOUNDATION

### Statements of Financial Position December 31, 2021 and 2020

| <u>Assets</u>  | <u>2021</u>                | <u>2020</u>                |
|--|----------------------------|----------------------------|
| Current assets:  |                            |                            |
| Cash and cash equivalents  | \$ 1,226,947               | \$ 809,880                 |
| Inventory  | 21,247                     | 25,128                     |
| Prepaid expenses   | <u>10,489</u>              | <u>10,390</u>              |
| Total current assets   | <u>1,258,683</u>           | <u>845,398</u>             |
| Investments (Notes 3 and 7)                                      | <u>742,400</u>             | <u>555,691</u>             |
| Property and equipment:  |                            |                            |
| Property and equipment, net of accumulated depreciation (Note 5) | 1,957,250                  | 2,019,028                  |
| Historical properties  | <u>237,047</u>             | <u>237,047</u>             |
| Total property and equipment, net                                | <u>2,194,297</u>           | <u>2,256,075</u>           |
| Total assets   | <u><u>\$ 4,195,380</u></u> | <u><u>\$ 3,657,164</u></u> |
| <u>Liabilities and Net Assets</u>                                |                            |                            |
| Current liabilities:   |                            |                            |
| Accounts payable   | \$ 676                     | \$ 2,361                   |
| Accrued expenses and other liabilities                           | 5,465                      | 7,462                      |
| Deferred revenue (Note 2)  | <u>23,775</u>              | <u>17,075</u>              |
| Total current liabilities  | 29,916                     | 26,898                     |
| Deferred revenue (Note 2)  | <u>79</u>                  | <u>178</u>                 |
| Total liabilities  | <u>29,995</u>              | <u>27,076</u>              |
| Net assets:  |                            |                            |
| Without donor restrictions                                       | 3,432,287                  | 3,078,237                  |
| With donor restrictions (Note 8)                                 | <u>733,098</u>             | <u>551,851</u>             |
| Total net assets   | <u>4,165,385</u>           | <u>3,630,088</u>           |
| Total liabilities and net assets                                 | <u><u>\$ 4,195,380</u></u> | <u><u>\$ 3,657,164</u></u> |

See accompanying notes to financial statements.

## GERMANNA FOUNDATION

### Statements of Activities Year Ended December 31, 2021

|   | Without Donor Restrictions |                     |                     | With Donor<br>Restrictions | Total               |
|---|----------------------------|---------------------|---------------------|----------------------------|---------------------|
|   | Operating                  | Board<br>Designated | Total               |                            |                     |
| Support and revenue:  |                            |                     |                     |                            |                     |
| Contributions   | \$ 837,715                 | \$ -                | \$ 837,715          | \$ 232,366                 | \$ 1,070,081        |
| Grants (Note 11)  | -                          | -                   | -                   | 49,701                     | 49,701              |
| Annual conference and reunion   | 11,661                     | -                   | 11,661              | -                          | 11,661              |
| Membership dues   | 33,424                     | -                   | 33,424              | -                          | 33,424              |
| Publications and merchandise sales,<br>net of cost of good sold (\$4,449) | 7,188                      | -                   | 7,188               | -                          | 7,188               |
| Investment returns (Notes 3 and 7)  | -                          | 28,886              | 28,886              | 55,781                     | 84,667              |
| Other   | 947                        | -                   | 947                 | -                          | 947                 |
|   |                            |                     |                     |                            |                     |
| Total support and revenue   | 890,935                    | 28,886              | 919,821             | 337,848                    | 1,257,669           |
| Net assets released from restriction                                      | 156,601                    | -                   | 156,601             | (156,601)                  | -                   |
| Expenditures:   |                            |                     |                     |                            |                     |
| Program services  | 459,163                    | -                   | 459,163             | -                          | 459,163             |
| Supporting services:  |                            |                     |                     |                            |                     |
| Management and general  | 195,950                    | -                   | 195,950             | -                          | 195,950             |
| Fundraising   | 67,259                     | -                   | 67,259              | -                          | 67,259              |
|   |                            |                     |                     |                            |                     |
| Total expenditures  | 722,372                    | -                   | 722,372             | -                          | 722,372             |
| Change in net assets  | 325,164                    | 28,886              | 354,050             | 181,247                    | 535,297             |
| Net assets, beginning of year   | 2,916,972                  | 161,265             | 3,078,237           | 551,851                    | 3,630,088           |
| Net assets, end of year   | <u>\$ 3,242,136</u>        | <u>\$ 190,151</u>   | <u>\$ 3,432,287</u> | <u>\$ 733,098</u>          | <u>\$ 4,165,385</u> |

See accompanying notes to financial statements.

## GERMANNA FOUNDATION

### Statements of Activities Year Ended December 31, 2020

|   | Without Donor Restrictions |                     |              | With Donor<br>Restrictions | Total        |
|---|----------------------------|---------------------|--------------|----------------------------|--------------|
|   | Operating                  | Board<br>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,<br>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          |
| Total support and revenue   | 517,748                    | 11,445              | 529,193      | 267,335                    | 796,528      |
| Net assets released from restriction                                      | 230,754                    | -                   | 230,754      | (230,754)                  | -            |
| Net assets transferred  | (6,833)                    | 6,833               | -            | -                          | -            |
| 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       |
| Total expenditures  | 584,933                    | -                   | 584,933      | -                          | 584,933      |
| Change in net assets  | 156,736                    | 18,278              | 175,014      | 36,581                     | 211,595      |
| Net assets, beginning of year   | 2,760,236                  | 142,987             | 2,903,223    | 515,270                    | 3,418,493    |
| Net assets, end of year   | \$ 2,916,972               | \$ 161,265          | \$ 3,078,237 | \$ 551,851                 | \$ 3,630,088 |

See accompanying notes to financial statements.

## GERMANNA FOUNDATION

### Statements of Functional Expenses Year Ended December 31, 2021

|                               | Program Services         |                         |                         |                          |                          | Supporting Services       |                         | Total                    |
|-------------------------------|--------------------------|-------------------------|-------------------------|--------------------------|--------------------------|---------------------------|-------------------------|--------------------------|
|                               | Visitor<br>Center        | Hitt<br>Farm            | Salubria                | Fort<br>Germanna         | Hitt<br>Center           | Management<br>and General | Fundraising             |                          |
| Salaries                      | \$ 71,599                | \$ 7,361                | \$ 13,386               | \$ 120,072               | \$ 73,094                | \$ 62,506                 | \$ 53,530               | \$ 401,548               |
| Payroll taxes                 | 5,787                    | 556                     | 1,039                   | 11,452                   | 6,188                    | 4,715                     | 4,100                   | 33,837                   |
| Annual conference and reunion | 10,083                   | -                       | -                       | -                        | -                        | -                         | -                       | 10,083                   |
| Germany trip                  | 914                      | -                       | -                       | -                        | -                        | -                         | -                       | 914                      |
| Professional fees             | 450                      | -                       | 1,800                   | -                        | -                        | 56,882                    | 277                     | 59,409                   |
| Printing and publications     | 7,164                    | -                       | 131                     | 134                      | -                        | -                         | 6,662                   | 14,091                   |
| Ground and maintenance        | 5,450                    | 2,509                   | 8,582                   | 2,101                    | -                        | -                         | -                       | 18,642                   |
| Insurance                     | 2,873                    | -                       | 2,519                   | -                        | -                        | 7,073                     | -                       | 12,465                   |
| Supplies                      | 1,320                    | -                       | 72                      | 1,096                    | 2,776                    | 7,218                     | -                       | 12,482                   |
| Website and internet          | 22,135                   | -                       | -                       | -                        | -                        | 9,620                     | -                       | 31,755                   |
| Occupancy                     | 3,467                    | -                       | 1,428                   | -                        | 2,995                    | 1,839                     | -                       | 9,729                    |
| Telephone                     | -                        | -                       | -                       | -                        | -                        | 3,253                     | 813                     | 4,066                    |
| Postage                       | 8,006                    | -                       | -                       | -                        | -                        | -                         | 1,877                   | 9,883                    |
| Travel                        | -                        | -                       | -                       | -                        | -                        | 2,689                     | -                       | 2,689                    |
| Equipment rental              | 88                       | -                       | 345                     | 1,612                    | -                        | -                         | -                       | 2,045                    |
| Depreciation                  | 28,765                   | -                       | -                       | -                        | 21,630                   | 15,881                    | -                       | 66,276                   |
| Other                         | 7,682                    | -                       | 242                     | 260                      | -                        | 24,274                    | -                       | 32,458                   |
| <b>Total expenditures</b>     | <b><u>\$ 175,783</u></b> | <b><u>\$ 10,426</u></b> | <b><u>\$ 29,544</u></b> | <b><u>\$ 136,727</u></b> | <b><u>\$ 106,683</u></b> | <b><u>\$ 195,950</u></b>  | <b><u>\$ 67,259</u></b> | <b><u>\$ 722,372</u></b> |

See accompanying notes to financial statements.



## GERMANNA FOUNDATION

### Statements of Functional Expenses Year Ended December 31, 2020

|                               | Program Services         |                        |                         |                         |                         | Supporting Services       |                         | Total                    |
|-------------------------------|--------------------------|------------------------|-------------------------|-------------------------|-------------------------|---------------------------|-------------------------|--------------------------|
|                               | Visitor<br>Center        | Hitt<br>Farm           | Salubria                | Fort<br>Germannna       | Hitt<br>Center          | Management<br>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                    |
| Equipment rental              | 180                      | -                      | -                       | 640                     | 129                     | -                         | -                       | 949                      |
| Depreciation                  | 28,032                   | -                      | -                       | -                       | 21,611                  | 14,857                    | -                       | 64,500                   |
| Other                         | -                        | -                      | -                       | 50                      | -                       | 15,836                    | -                       | 15,886                   |
| <b>Total expenditures</b>     | <b><u>\$ 148,882</u></b> | <b><u>\$ 6,620</u></b> | <b><u>\$ 38,108</u></b> | <b><u>\$ 93,727</u></b> | <b><u>\$ 85,419</u></b> | <b><u>\$ 162,471</u></b>  | <b><u>\$ 49,706</u></b> | <b><u>\$ 584,933</u></b> |

See accompanying notes to financial statements.

## GERMANNA FOUNDATION

### Statements of Cash Flows Years Ended December 31, 2021 and 2020

|  | 2021         | 2020       |
|--|--------------|------------|
| Cash flows from operating activities:  |              |            |
| Change in net assets   | \$ 535,297   | \$ 211,595 |
| Adjustments to reconcile change in net assets to net cash from operating activities: |              |            |
| Depreciation   | 66,276       | 64,500     |
| Noncash contribution   | -            | (3,116)    |
| Investment returns reinvested  | (12,665)     | (6,930)    |
| Net realized and unrealized gain on investments                                      | (72,002)     | (58,064)   |
| Paycheck Protection Program Loan forgiveness   | (44,820)     | (56,250)   |
| Change in assets and liabilities:  |              |            |
| Inventory  | 3,881        | 1,016      |
| Prepaid expenses   | (99)         | (1,222)    |
| Other current assets   | -            | 40         |
| Accounts payable   | (1,685)      | 1,741      |
| Accrued expenses   | (1,997)      | (3,798)    |
| Deferred revenue   | 6,601        | 511        |
| Net cash provided by operating activities  | 478,787      | 150,023    |
| Cash flows from investing activities:  |              |            |
| Purchase of property and equipment   | (4,498)      | (11,925)   |
| Purchase of investments  | (102,042)    | (305,611)  |
| Net cash used in investing activities  | (106,540)    | (317,536)  |
| Cash flows from financing activities:  |              |            |
| Proceeds from Paycheck Protection Program Loan                                       | 44,820       | 56,250     |
| Net change in cash and cash equivalents  | 417,067      | (111,263)  |
| Cash and cash equivalents, beginning of year   | 809,880      | 921,143    |
| Cash and cash equivalents, end of year   | \$ 1,226,947 | \$ 809,880 |

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 and is committed to using 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

In 2021, the Germanna Foundation started the process of placing the Siegen Forest property under Historic Easement with the Virginia Department of Historic Resources. The successful completion of the easement, the Siegen Forest's natural and cultural resources will be protected for future generations. In the fall of that year, the Germanna Foundation applied for and was successfully awarded a grant from the Virginia Land Conservation Foundation (VLCF) of \$650,000. Germanna expects to finalize the easement of this property in 2022, and at that time will receive the grant funding from VLCF.

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 2021 and 2020. It is Germanna Foundation's intention that it will continue to partner with Dr. Bernard Means and the VCU Field School in 2022.

In 2021, the Germanna Foundation continued investigations through excavations at the Fort Germanna / Enchanted Castle site. Nineteen test units were opened and/or completed during the 2021 field season including 15 new units and four units opened during 2020. Areas of focus included the southern terrace, the west yard of Spotswood's mansion, and inside the foundation for the southwest dependency. Germanna Foundation also tested a section of the wooded area sloping away from the north side of the Enchanted Castle foundation (this represented an area of the site which little was known about and will likely need future investigation).

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

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

In 2021, Germanna Archaeology extended its digging season by extending two Interns terms to 24 weeks. This allowed Germanna Foundation to continue digging into the Fall. For these extended weeks, Germanna Archaeology focused on relocating the first Spotsylvania County courthouse (located west of the Enchanted Castle). The year 2021 marked the 300th anniversary of the formation of Spotsylvania County and as a part of that important anniversary the decision was made to revisit the site of the county's first courthouse. The goal was to see if additional evidence could support the theory that a foundation found in the mid-1980s was, in fact, related to the courthouse. Extending the Intern terms also allowed staff to work on the processing of artifacts (washing, cataloging, and storage) recovered during the 2021 season.

Over the last two seasons, Germanna Archaeology has hosted "Public Access Days" at the Fort Germanna/Enchanted Castle site. These open houses provide visitors the opportunity to come and see the site and observe the progress of the archaeology. In addition, archaeologists have developed and set up archaeology related activities and displays. Three Public Access Days were held in 2021 with an attendance of approximately 250. Three Public Access Days were held during 2020, with an attendance of approximately 240.

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.

## 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 of Archaeology 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's 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 which contains a c.1800 log house built by and for Peter Hitt in Marshall Magisterial District, Fauquier County, Virginia. The dating of the log house was confirmed by a dendrochronology study performed by Oxford Tree-Ring Laboratory in 2017 and is among the oldest log houses in the county. 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.

##### Outreach and Public Programming

In 2021, the Germanna Foundation organized and executed several events focused on public participation at the site, along with programs using the sites as backdrops.

Several Public Access Days at the Fort Germanna/Enchanted Castle Archaeology site as well as at Salubria. These events consist of tours of the properties with experts, family activities, such as brickmaking, quill pen writing or flint knapping. These events allow the public to learn about the environment and landscape and what the people of these places would have experienced.

The Germanna Foundation held two major events in 2021, one on the Visitor Center grounds and the other at Salubria. The Germanna Trades Weekend, held in August invited the public to experience historic trades from the past such as foodways, blacksmithing, timber framing, surveying and cooperage. Guests also had the opportunity to tour the Visitor Center and the Hitt Archaeology Center during this two-day event. In October, 2021, the Germanna Foundation presented Salubria After Dark. This program ran for two nights and consisted of historical stories, told against the backdrop of Salubria. The Germanna Foundation contracted with three professional storytellers to engage and intrigue guests in attendance.

##### 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 22 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.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

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

The Germanna Foundation publishes a 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.

In 2021, the Germanna Foundation developed and beta tested two “traveling trunks” to educational institutions. These trunks consisted of 3D printed artifacts along with study guides and lessons plans for teachers and students. The trunks are available to private and public schools, free of charge, to study archaeology and Virginia history.

#### 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, a deputy member of the foreign affairs committee and 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 2021 and 2020, no group tour was held due to the COVID-19 pandemic. It is Germanna Foundation’s intent that a group tour will be held in 2022.

#### 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).



## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

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

**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.

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).

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

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

**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, 2021, two donors accounted for 73% of total support and revenue. For the year ended December 31, 2020, two donors accounted for 59% of total support and revenue.

**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.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

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

**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, 2021 and 2020.

**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.

**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, 2021 or 2020. Contract liabilities at December 31, 2021 and 2020 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).

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

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

**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.

**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.

**Subsequent Events:** Management has evaluated subsequent events through June 27, 2022, the date the financial statements were available to be issued, and determined there are no subsequent events to be recognized or disclosed in the accompanying financial statements.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 3. Investments:

Investments at December 31, 2021 are comprised of the following:

|  | Market     | Cost       |
|--|------------|------------|
| Vanguard Managed Allocation Fund (VPGDX)                         | \$ 167,670 | \$ 150,059 |
| Vanguard Total Stock Market Index Fund<br>Admiral Shares (VTSAX) | 21,800     | 15,632     |
| Vanguard Balance Index Fund Admiral Shares<br>(VBIAX)            | 552,930    | 463,323    |
|  | \$ 742,400 | \$ 629,014 |

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<br>Admiral Shares (VTSAX) | 12,522     | 10,075     |
| Vanguard Balance Index Fund Admiral Shares<br>(VBIAX)            | 392,532    | 347,484    |
| Vanguard Brokerage   | 3,257      | -          |
|  | \$ 555,691 | \$ 496,379 |

Investment returns for the years ended December 31, 2021 and 2020 are as follows:

|                        | 2021      | 2020      |
|------------------------|-----------|-----------|
| Investment income      | \$ 12,665 | \$ 6,930  |
| Unrealized gain        | 57,341    | 48,126    |
| Realized capital gains | 14,661    | 8,149     |
| Return of capital      | -         | 1,789     |
|                        | \$ 84,667 | \$ 64,994 |

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 3. Investments, Continued:

In 2021 and 2020, 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 2021 and 2020, 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 and other expenses incurred by the Germanna Foundation. It is the Germanna Foundation's plan to use investment returns to support routine maintenance of the Hitt Farm property and to support other operations and programs of the Germanna Foundation. 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 and to support other operations and programs of the Germanna Foundation.

#### 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.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 5. Property and Equipment:

A summary of property and equipment at December 31, 2021 and 2020 is as follows:

|                               | <u>2021</u>         | <u>2020</u>         |
|-------------------------------|---------------------|---------------------|
| Land                          | \$ 623,256          | \$ 623,256          |
| Buildings and improvements    | 1,994,090           | 1,994,091           |
| Furniture and equipment       | <u>138,845</u>      | <u>134,347</u>      |
| Total                         | 2,756,191           | 2,751,694           |
| Less accumulated depreciation | <u>(798,942)</u>    | <u>(732,666)</u>    |
| Property and equipment, net   | <u>\$ 1,957,249</u> | <u>\$ 2,019,028</u> |

The Germanna Foundation recorded depreciation expense of \$66,276 for 2021 and \$64,500 for 2020.

#### 6. Endowment Funds:

There is one endowment fund at the Germanna Foundation at and for the years ended December 31, 2021 and 2020 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.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 6. Endowment Funds, Continued:

##### Principal Investment Strategy

At December 31, 2021 and 2020, VPGDX (the Fund) invests in fourteen Vanguard mutual funds and other investments 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 2022.

##### 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 \$167,670 as of December 31, 2021 and \$147,380 December 31, 2020 of board-designated funds.



## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 6. Endowment Funds, Continued:

Changes in endowment net assets were as follows for the years ended December 31, 2021 and 2020:

|                               | <u>2021</u>       | <u>2020</u>       |
|-------------------------------|-------------------|-------------------|
| Net assets, beginning of year | \$ 147,380        | \$ 135,265        |
| Investments gain, net         | <u>20,290</u>     | <u>12,115</u>     |
| Net assets, end of year       | <u>\$ 167,670</u> | <u>\$ 147,380</u> |

#### 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 \$742,400 at December 31, 2021 and \$555,691 at December 31, 2020 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, 2021 and 2020.

## 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>2021</u>       | <u>2020</u>       |
|-------------------------------------|-------------------|-------------------|
| Fort Germanna                       | \$ 200,000        | \$ 100,000        |
| Hitt Farm                           | 450,447           | 396,896           |
| Other (including time restrictions) | <u>82,651</u>     | <u>54,955</u>     |
|                                     | <u>\$ 733,098</u> | <u>\$ 551,851</u> |

Net assets released from restriction were the result of expenses incurred in satisfying the restricted purposes of contributions during 2021 and 2020.

#### 9. Commitments and Contingencies:

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.

The Germanna Foundation entered into a consulting agreement with an independent 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 independent 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.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

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

The Germanna Foundation entered into a consulting agreement with an independent 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, 2021, there are no further payments required to be made to the independent contractor as the contract was terminated in September 2021 in accordance with the contract terms.

The Germanna Foundation entered into a six-month consulting agreement with an independent contractor in January 2021 to perform agreed upon procedures in working with the Board of Trustees and staff to develop the Germanna Foundation's donor pool, including those with the capacity for major gifts, to grow membership, to increase visibility of the Germanna Foundation, and to identify candidates for the Board of Trustees. The contract includes a total package price of \$24,000 and will be paid in six monthly installments of \$4,000. As of July 2021, there are no further payments required to be made to the independent contractor as the contract was terminated in July 2021 in accordance with the contract terms.

The Germanna Foundation entered into a consulting agreement with an independent contractor on December 9, 2021 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 January 2022 and ends in December 2022. The contract includes a total package price of \$12,000 and will be paid \$1,000 per month.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 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:

|   | 2021         | 2020       |
|---|--------------|------------|
| Cash and cash equivalents   | \$ 1,226,947 | \$ 809,880 |
| Investments   | 742,400      | 555,691    |
| Total financial assets available within one year  | 1,969,347    | 1,365,571  |
| Net assets with donor restrictions - cash and cash equivalents                            | (180,849)    | (150,592)  |
| Net assets with donor restrictions - other  | (552,249)    | (401,259)  |
| Net assets without donor restrictions - board-designated                                  | (190,151)    | (154,432)  |
| Total financial assets available within one year after net assets with donor restrictions | \$ 1,046,098 | \$ 659,288 |

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.

## GERMANNA FOUNDATION

### Notes to Financial Statements, Continued

#### 11. Paycheck Protection Program Loan, Continued:

As of December 31, 2020, the Germanna Foundation 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.

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 2<sup>nd</sup> PPP Loan is uncollateralized and is fully guaranteed by the Federal government.

During 2021, the Germanna Foundation used the loan proceeds for qualifying costs, and in November 2021, the 2<sup>nd</sup> PPP Loan was fully forgiven. Based on these facts and circumstances, the Germanna Foundation elected to recognize the loan forgiveness as of December 31, 2021 and reflect the amount of \$44,820 as grant income in the accompanying 2021 statement of activities.

#### 12. 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.