



## Financial Statements

December 31, 2022 and 2021



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# HISTORIC GERMANNIA

## Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Historic Germanna  
Locust Grove, Virginia

### **Opinion**

We have audited the accompanying financial statements of Historic Germanna, formerly known as Germanna Foundation, which comprise the statements of financial position as of December 31, 2022 and 2021, 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 Historic Germanna as of December 31, 2022 and 2021, 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 Historic Germanna 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 Historic Germanna'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 Historic Germanna'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 Historic Germanna'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.

A handwritten signature in black ink, appearing to read "Keita", with a stylized, flowing script.

September 14, 2023  
Glen Allen, Virginia

# HISTORIC GERMANNA

## Statements of Financial Position December 31, 2022 and 2021

	<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:			
Cash and cash equivalents		\$ 752,080	\$ 1,226,947
Inventory		25,352	21,247
Prepaid expenses		7,791	10,489
Operating right of use asset, net (Notes 2 and 6)		1,263	-
Other current assets		1,720	-
Total current assets		<u>788,206</u>	<u>1,258,683</u>
Investments (Notes 3 and 8)		<u>857,951</u>	<u>742,400</u>
Property and equipment:			
Property and equipment, net of accumulated depreciation (Note 5)		1,895,496	1,957,250
Historical properties		<u>237,047</u>	<u>237,047</u>
Total property and equipment, net		<u>2,132,543</u>	<u>2,194,297</u>
Total assets		<u><u>\$ 3,778,700</u></u>	<u><u>\$ 4,195,380</u></u>
	<u>Liabilities and Net Assets</u>		
Current liabilities:			
Accounts payable		\$ 1,491	\$ 676
Accrued expenses and other liabilities		8,431	5,465
Deferred revenue (Note 2)		15,647	23,775
Operating lease liability (Notes 2 and 6)		<u>1,263</u>	<u>-</u>
Total current liabilities		26,832	29,916
Deferred revenue (Note 2)		<u>66</u>	<u>79</u>
Total liabilities		<u>26,898</u>	<u>29,995</u>
Net assets:			
Without donor restrictions		3,196,965	3,432,287
With donor restrictions (Note 9)		<u>554,837</u>	<u>733,098</u>
Total net assets		<u>3,751,802</u>	<u>4,165,385</u>
Total liabilities and net assets		<u><u>\$ 3,778,700</u></u>	<u><u>\$ 4,195,380</u></u>

See accompanying notes to financial statements.

## HISTORIC GERMANNA

### Statements of Activities Year Ended December 31, 2022

	Without Donor Restrictions			With Donor	
	Operating	Board Designated	Total	Restrictions	Total
Support and revenue:					
Contributions	\$ 350,277	\$ -	\$ 350,277	\$ 24,893	\$ 375,170
Annual conference and reunion	10,963	-	10,963	-	10,963
Membership dues	27,566	-	27,566	-	27,566
Publications and merchandise sales, net of cost of good sold (\$10,669)	9,142	-	9,142	-	9,142
Other	11,715	-	11,715	-	11,715
Total support and revenue	409,663	-	409,663	24,893	434,556
Net assets released from restriction	127,408	-	127,408	(127,408)	-
Expenditures:					
Program services	442,398	-	442,398	-	442,398
Supporting services:					
Management and general	197,346	-	197,346	-	197,346
Fundraising	95,646	-	95,646	-	95,646
Total expenditures	735,390	-	735,390	-	735,390
Loss from investments (Notes 3 and 8)	-	37,003	37,003	75,746	112,749
Total expenditures and losses	735,390	37,003	772,393	75,746	848,139
Change in net assets	(198,319)	(37,003)	(235,322)	(178,261)	(413,583)
Net assets, beginning of year	3,242,136	190,151	3,432,287	733,098	4,165,385
Net assets, end of year	<u>\$ 3,043,817</u>	<u>\$ 153,148</u>	<u>\$ 3,196,965</u>	<u>\$ 554,837</u>	<u>\$ 3,751,802</u>

See accompanying notes to financial statements.

## HISTORIC GERMANNA

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

	Without Donor Restrictions			With Donor	
	Operating	Board Designated	Total	Restrictions	Total
Support and revenue:					
Contributions	\$ 837,715	\$ -	\$ 837,715	\$ 232,366	\$ 1,070,081
Grants (Note 12)	-	-	-	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, net of cost of good sold (\$4,449)	7,188	-	7,188	-	7,188
Investment returns (Notes 3 and 8)	-	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.

## HISTORIC GERMANNA

### Statements of Functional Expenses Year Ended December 31, 2022

	Program Services					Supporting Services		
	Visitor Center	Hitt Farm	Salubria	Fort Germanna	Hitt Center	Management and General	Fundraising	Total
Salaries	\$ 77,610	\$ 464	\$ 16,493	\$ 119,670	\$ 64,310	\$ 72,011	\$ 65,525	\$ 416,083
Payroll taxes	5,485	35	1,115	9,243	5,013	6,212	4,824	31,927
Annual conference and reunion	13,407	-	-	-	-	-	-	13,407
Germany trip	277	-	-	-	-	-	-	277
Professional fees	300	-	1,800	-	-	43,077	12,540	57,717
Printing and publications	4,606	-	-	-	-	373	10,305	15,284
Ground and maintenance	5,804	-	14,757	10,520	574	-	-	31,655
Insurance	2,892	-	2,605	-	-	7,290	-	12,787
Supplies	334	-	392	165	3,945	7,338	-	12,174
Website and internet	8,295	-	-	-	-	11,397	-	19,692
Occupancy	3,932	-	2,318	-	3,253	1,502	-	11,005
Telephone	-	-	-	-	-	2,732	683	3,415
Postage	6,285	-	-	-	-	-	1,769	8,054
Travel	-	-	-	-	-	9,388	-	9,388
Equipment rental	724	-	460	-	-	-	-	1,184
Depreciation	30,370	-	-	-	24,945	12,316	-	67,631
Other	-	-	-	-	-	23,710	-	23,710
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,710</u>	<u>-</u>	<u>23,710</u>
Total expenditures	<u>\$ 160,321</u>	<u>\$ 499</u>	<u>\$ 39,940</u>	<u>\$ 139,598</u>	<u>\$ 102,040</u>	<u>\$ 197,346</u>	<u>\$ 95,646</u>	<u>\$ 735,390</u>

See accompanying notes to financial statements.



## HISTORIC GERMANNA

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

	Program Services					Supporting Services		
	Visitor Center	Hitt Farm	Salubria	Fort Germanna	Hitt Center	Management and General	Fundraising	Total
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
Total expenditures	<u>\$ 175,783</u>	<u>\$ 10,426</u>	<u>\$ 29,544</u>	<u>\$ 136,727</u>	<u>\$ 106,683</u>	<u>\$ 195,950</u>	<u>\$ 67,259</u>	<u>\$ 722,372</u>

See accompanying notes to financial statements.

# HISTORIC GERMANNA

## Statements of Cash Flows Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (413,583)	\$ 535,297
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	67,631	66,276
Investment returns reinvested	(13,371)	(12,665)
Net realized and unrealized (gain) loss on investments	126,120	(72,002)
Paycheck Protection Program Loan forgiveness	-	(44,820)
Change in assets and liabilities:		
Inventory	(4,105)	3,881
Prepaid expenses	2,698	(99)
Operating right of use asset, net	(1,263)	-
Other current assets	(1,720)	-
Accounts payable	815	(1,685)
Accrued expenses	2,966	(1,997)
Deferred revenue	(8,141)	6,601
Operating lease liability	<u>1,263</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(240,690)</u>	<u>478,787</u>
Cash flows from investing activities:		
Purchase of property and equipment	(5,877)	(4,498)
Purchase of investments	<u>(228,300)</u>	<u>(102,042)</u>
Net cash used in investing activities	<u>(234,177)</u>	<u>(106,540)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program Loan	<u>-</u>	<u>44,820</u>
Net change in cash and cash equivalents	(474,867)	417,067
Cash and cash equivalents, beginning of year	<u>1,226,947</u>	<u>809,880</u>
Cash and cash equivalents, end of year	<u>\$ 752,080</u>	<u>\$ 1,226,947</u>
Supplemental disclosure of cash flow information:		
Noncash transactions:		
Establishment of an operating right of use asset and operating lease liability	<u>\$ 3,148</u>	<u>\$ -</u>

See accompanying notes to financial statements.

# HISTORIC GERMANNA

## Notes to Financial Statements

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

The Memorial Foundation of the Germanna Colonies in Virginia, Inc. ("Historic Germanna") 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.

#### The People

Germanna's history encompasses the lives of Indigenous peoples, English colonists, German immigrants and their descendants, and African and African American communities.

#### The Places

The Germanna region was a confluence of Indigenous, African, African American, English, and German cultures and later played a pivotal role in the American Civil War. Today, this region of Central Virginia lies between bustling cities and the Blue Ridge Mountain and is a crossroads of history and culture, offering opportunities to share a unique part of Virginia's history that continues today.

#### Their Stories

Germanna has many stories to tell, from Indigenous use of the land to the migration of German immigrants to the experiences of African and African Americans; our continued research and collaborations with scholars, community knowledge-keepers and cultural advisors are how we develop a deeper understanding of the past to share with visitors and stakeholders.

#### Our Historic Legacy

At Historic Germanna, we recognize the immeasurable value of our history and its power to unite communities.

The mission of the Historic Germanna 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. Historic 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.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

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

##### Land Conservation

Since 1956, Historic Germanna 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. Historic Germanna developed hiking trails on the land with the assistance of skilled professionals and dedicated volunteers, including area Boy Scouts. Historic Germanna 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.

In 2021, Historic Germanna 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. Historic Germanna applied for and was successfully awarded a grant from the Virginia Land Conservation Foundation (VLCF) of \$650,000 and a grant from the American Battlefield Protection Program (ABPP) for \$655,070. Germanna expects to finalize the easement of this property in 2023, and at that time, will receive the grant funding from VLCF and ABPP.

Historic Germanna's Fort Germanna Visitor Center (Visitor Center) houses a 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 Historic Germanna to the Commonwealth of Virginia in 1969 for the purpose of founding the college.

##### Historic Preservation and Archaeological Investigation

Beginning in 2016, Historic Germanna's archaeology program partnered with Dr. Bernard Means (Faculty Member of the Anthropology Department and School of World Studies at Virginia Commonwealth University). Historic Germanna has hosted the Virginia Commonwealth University (VCU) Field School since 2016. 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 Historic Germanna and VCU provides a unique experience for Virginia students on an important Virginia archaeology site. Due to the COVID 19 pandemic, the VCU Field School was canceled in 2021. The Field School resumed in 2022.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

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

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

Historic Germanna hosts “Public Archaeology Days” at the Fort Germanna/Enchanted Castle site. These public access days provide visitors the opportunity to come and see the archeology site and observe the progress during the year. In addition, archaeologists develop and set up related activities and displays.

In December 2020, the artifact collections excavated at the Enchanted Castle Site during the 1970s and 1980s, were transferred from the University of Mary Washington (UMW) to the Hitt Archaeology Center. The collections, on loan from the Virginia Department of Historic Resources (DHR), includes artifacts, notes, drawings and other data from the previous excavations of the Enchanted Castle ruins. These collections are currently housed in the Hitt Archaeology Center for the purposes of study, analysis and exhibit. Historic Germanna will make these collections available for researchers and scholars.

In 2018 and 2019, Historic Germanna constructed the Hitt Archaeology Center, which was placed into service in May 2019 as a headquarters for Historic Germanna’s archaeology program. The Hitt Archaeology Center gives Historic Germanna a place to clean, study, store and evaluate artifacts found on the Historic 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 climate-controlled environment ensuring the preservation of collections.

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

In September 2017, Historic Germanna 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 Historic Germanna as the Hitt Farm. Historic Germanna maintains this property with the goal of caring for it and making it available to researchers, conservationists, and descendants.

In October 2013, Historic Germanna 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 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 Historic Germanna to DHR.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

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

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

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

In October 2000, Historic Germanna accepted stewardship of Salubria, an 18<sup>th</sup> century Georgian style mansion with 19.6 acres of wooded grounds and a terraced garden located in Culpeper County, Virginia. A conservation easement held by DHR also protects this property.

##### Outreach and Public Programming

Historic Germanna organizes and executes several events focused on public participation at the site, along with programs using the sites as backdrops.

Several Public Access Days are held 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, brickmaking and quill pen writing, and demonstrations, such as flint knapping. These events allow the public to learn about the environment and landscape and what the people of these places would have experienced.

##### Education

Education is central to Historic Germanna's 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, Historic Germanna has published 23 books that cover a wide range of historic topics relating to Germanna, as well as genealogies of many of the families.

Since 1957, Historic Germanna 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 historical interest, genealogy, archaeology, and historic preservation.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

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

##### Education, Continued

Historic Germanna publishes a newsletter four times a year that reflects information about Historic Germanna activities and programs, and informative articles.

Historic Germanna 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.

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

##### Cultivation of Transatlantic Relations

The development of strong ties with ancestral villages of Germanna colonists and supporters of Historic Germanna living in Germany has been an important part of Historic Germanna's mission since its inception. Ties with researchers and genealogists in Siegen, Germany remain strong to the present. Official delegations from Germany have visited Historic Germanna 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.

Historic Germanna 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.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

#### 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 Historic Germanna and changes therein are classified and reported as follows:

Net assets without donor restrictions represents funds that impose no restrictions on Historic Germanna 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 Historic Germanna 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, Historic Germanna 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.



## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

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

**Investments and Investment Income:** Historic Germanna accounts for its investments at fair value (refer to Note 8).

**Credit Risk and Concentrations:** Financial instruments that potentially subject Historic Germanna to concentrations of credit risk consist principally of cash and cash equivalents, pledge receivables, and investments. Historic Germanna maintains its cash and cash equivalents in a financial institution with balances that periodically exceed federally insured limits. Historic Germanna 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.

Historic Germanna 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, 2022, six donors accounted for 92% of total support and revenue. For the year ended December 31, 2021, two donors accounted for 73% 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 Historic Germanna 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, Historic Germanna'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.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

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

**Leases:** In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842), which supersedes ASC 840 and creates a new topic, ASC 842. ASC 842 requires lessees to recognize a right of use asset and a lease liability on the statement of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operating, which classification affecting expense recognition in the statement of activities.

The lease liabilities are initially measured at the present value of the future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right of use assets is initially measured at the value of the lease liability, adjusted for initial direct costs, lease incentives, and prepaid or deferred rent. Historic Germanna elected to use the risk-free discount rate for any leases for which the rate implicit in the lease was not readily determinable. The right of use assets and lease liabilities are calculated to include options to extend or terminate the lease when it is determined that it is reasonably certain those options will be exercised. In making those determinations, existing economic and market factors, business strategies as well as the nature, length, and terms of the lease agreements should be considered.

At January 1, 2022, Historic Germanna adopted the provisions of ASC 842, using the modified retrospective adoption method. In addition, Historic Germanna utilized the simplified transition option available in ASC 842, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

Upon adoption of ASC 842, Historic Germanna elected the transitional package of practical expedients that allow an entity to not reassess (1) whether any expired or existing contracts contain a lease, (2) the lease classification of any expired or existing lease, and (3) initial direct costs for any existing lease, and the use of hindsight in determining the lease term. In addition, Historic Germanna elected to not record a lease liability and corresponding right of use asset for leases with terms of 12 months or less.

The adoption of ASC 842 resulted in the recognition of an operating lease right of use asset and an operating lease liability of \$3,148 as of January 1, 2022. The standard did not materially impact Historic Germanna’s operations and cash flows.

**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, 2022 and 2021.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

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

**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:** Historic Germanna's policy is to account for the Paycheck Protection Program Loan as debt (refer to Note 12). Historic Germanna 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) Historic Germanna pays off the loan.

**Revenue Recognition:** Historic Germanna 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, 2022, 2021, or 2020. Contract liabilities at December 31, 2022 and 2021 are recorded as deferred revenue on the accompanying statements of financial position. Deferred revenue was \$17,253 at December 31, 2020.

**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.

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

**Income Taxes:** Historic Germanna 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).

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

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

**Income Tax Uncertainties:** Historic Germanna 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 Historic Germanna's financial statements. The guidance also provides criteria on derecognition, classification, interest and penalties, disclosure and transition.

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

**Use of Estimates:** Management of Historic Germanna 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.

**Subsequent Events:** During July 2023, Germanna Foundation rebranded to Historic Germanna.

Management has evaluated subsequent events through September 14, 2023, the date the financial statements were available to be issued, and determined that, other than the name change described above, there are no subsequent events to be recognized or disclosed in the accompanying financial statements.

#### 3. Investments:

Investments at December 31, 2022 are comprised of the following:

	Market	Cost
Vanguard Managed Allocation Fund (VPGDX)	\$ 152,356	\$ 156,114
Vanguard Total Stock Market Index Fund Admiral Shares (VTSAX)	17,783	16,224
Vanguard Balance Index Fund Admiral Shares (VBIAX)	459,508	476,093
Vanguard Brokerage CDs	228,304	228,000
	<u>\$ 857,951</u>	<u>\$ 876,431</u>

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

#### 3. Investments, Continued:

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

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

Investment returns (losses) for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Investment income	\$ 13,371	\$ 12,665
Unrealized gain/(loss)	(131,866)	57,341
Realized capital gains	<u>5,746</u>	<u>14,661</u>
	<u>\$ (112,749)</u>	<u>\$ 84,667</u>

In 2022 and 2021, Historic Germanna 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 Historic Germanna's long-term plan that it will be used to support operations and programs of Historic Germanna.

In 2022 and 2021, Historic Germanna 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 Historic Germanna. It is Historic Germanna's plan to use investment returns to support routine maintenance of the Hitt Farm property and to support other operations and programs of Historic Germanna. Historic Germanna 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 Historic Germanna.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

#### 4. Collections:

Historic Germanna 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. Historic Germanna'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 Historic Germanna 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 Historic Germanna'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.

Historic Germanna 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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 623,256	\$ 623,256
Buildings and improvements	1,994,090	1,994,090
Furniture and equipment	<u>144,723</u>	<u>138,845</u>
Total	2,762,069	2,756,191
Less accumulated depreciation	<u>(866,573)</u>	<u>(798,942)</u>
Property and equipment, net	<u>\$ 1,895,496</u>	<u>\$ 1,957,249</u>

Historic Germanna recorded depreciation expense of \$67,631 for 2022 and \$66,276 for 2021.

## **HISTORIC GERMANNA**

### **Notes to Financial Statements, Continued**

#### **6. Operating Leases:**

Historic Germanna leases a copier under a non-cancellable operating lease with monthly payments of \$158, which are due through August 2023. Total minimum future payments under the non-cancellable operating lease as of December 31, 2022 was \$1,268, of which \$5 represents interest. Copier lease expense was \$1,901 for each of 2022 and 2021, which is presented as a component of printing and publication expense in the accompanying statements of functional expenses.

From time to time, Historic Germanna rents equipment for events under short-term leasing agreements. Lease expense for short-term leases was \$1,184 for 2022 and \$2,045 for 2021.

#### **7. Endowment Funds:**

There is one endowment fund at Historic Germanna at and for the years ended December 31, 2022 and 2021 that is invested in the Vanguard Managed Allocation Fund, a Vanguard mutual fund, ticker symbol VPGDX. 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 Historic Germanna's long-term plan that the annual investment returns will be used to support operations and programs of Historic Germanna. 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, 2022 and 2021, VPGDX (the Fund) invests in fifteen and fourteen Vanguard mutual funds and other investments, respectively, according to an asset allocation strategy designed to provide shareholders with a targeted inflation-adjusted return through long-term capital appreciation and moderate income from their investments in the Fund. The Fund holds a broadly diversified portfolio of equities, fixed income, commodity-linked investments, and alternatives. The Fund invests in Vanguard funds through an actively managed asset allocation process. The portfolio reflects the Fund's evaluation of expected risks and returns across markets. 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.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

#### 7. Endowment Funds, Continued:

The Fund distributions are based on 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. Historic Germanna'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 2023.

#### 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 \$152,356 as of December 31, 2022 and \$167,670 December 31, 2021 of board-designated funds.

Changes in endowment net assets were as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net assets, beginning of year	\$ 167,670	\$ 147,380
Investments gain (loss), net	<u>(15,314)</u>	<u>20,290</u>
Net assets, end of year	<u>\$ 152,356</u>	<u>\$ 167,670</u>



## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

#### 8. 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 Historic Germanna at year end.

**Brokered CDs:** Valued at the costs plus accrued interest at year end.

Assets measured at fair value on a recurring basis of \$629,647 at December 31, 2022 and \$742,400 at December 31, 2021 were valued using Level 1 criteria. Assets measured at fair value on a recurring basis of \$228,304 at December 31, 2022 were valued using Level 2 criteria.

Historic Germanna did not have any liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

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

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

	2022	2021
Fort Germanna	\$ 100,000	\$ 200,000
Hitt Farm	374,602	450,447
Other (including time restrictions)	80,235	82,651
	<u>\$ 554,837</u>	<u>\$ 733,098</u>

Net assets released from restriction were the result of expenses incurred in satisfying the restricted purposes of contributions during 2022 and 2021.

#### 10. Commitments and Contingencies:

Historic Germanna 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 Historic Germanna's Executive Director and staff to advance the financial sustainability of Historic Germanna long-term. This one-year contract began in October 2020 and ended on September 30, 2021. The contract included a total package price of \$18,000 to 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 were no further payments required as the contract was terminated in September 2021 in accordance with the contract terms.

Historic Germanna 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 Historic Germanna's donor pool, including those with the capacity for major gifts, to grow membership, to increase visibility of Historic Germanna, and to identify candidates for the Board of Trustees. The contract included a total package price of \$24,000 to be paid in six monthly installments of \$4,000. As of July 2021, there were 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.

Historic Germanna 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 Historic Germanna's Executive Director and staff to advance the financial sustainability of Historic Germanna long-term. This one-year contract began in January 2022 and was due to expire in December 2022. The contract included a total package price of \$12,000 to be paid \$1,000 per month. As of May 2022, \$5,000 was paid to the independent contractor. There are no further payments required to be made to the independent contractor as the contract was terminated in May 2022.

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

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

Historic Germanna entered into a consulting agreement with an independent contractor on May 26, 2022 to assist Historic Germanna in its search for a new Executive Director. The contract included a total package price of \$10,150 to be paid in seven monthly installments of \$1,450. As of December 31, 2022, there are no further payments required as the contract was terminated in December 2022 in accordance with the contract terms.

Historic Germanna entered into a consulting agreement with an independent contractor on July 1, 2022 to assist Historic Germanna in managing the process of placing the Siegen Forest property in easement in accordance with the requirements of an awarded Virginia Land Conservations Foundation grant, along with the process of coordinating a grant application to the American Battlefield Protection Program (ABPP). Historic Germanna will pay the independent contractor an hourly rate of \$75 for services performed in accordance with the contract. The contract will end when the deed of easement is recorded and grant reimbursement paperwork is filed. As of December 31, 2022, Historic Germanna has paid the independent contractor \$2,550.

#### 11. 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 752,080	\$ 1,226,947
Investments	<u>857,951</u>	<u>742,400</u>
Total financial assets available within one year	1,610,031	1,969,347
Net assets with donor restrictions	(554,837)	(733,098)
Net assets without donor restrictions - board-designated	<u>(153,148)</u>	<u>(190,151)</u>
Total financial assets available within one year after net assets with donor restrictions	<u>\$ 902,046</u>	<u>\$ 1,046,098</u>

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

## HISTORIC GERMANNA

### Notes to Financial Statements, Continued

#### **12. 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.

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

During 2021, Historic Germanna used the loan proceeds for qualifying costs, and in November 2021, the PPP Loan was fully forgiven. Based on these facts and circumstances, Historic Germanna 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.