

The German Marshall Fund of the United States—A Memorial to the Marshall Plan and Subsidiaries

Consolidated Financial Report
December 31, 2023

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RSM US LLP

Independent Auditor's Report

Board of Trustees
The German Marshall Fund of the United States—
A Memorial to the Marshall Plan

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The German Marshall Fund of the United States—A Memorial to the Marshall Plan and Subsidiaries (GMF), which comprise the consolidated balance sheet as of December 31, 2023, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GMF as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 GMF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 of America, 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 GMF's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS and *Government 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 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 GAAS and *Government 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 GMF'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 GMF'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2024, on our consideration of GMF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GMF's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GMF's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
August 19, 2024

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

**Consolidated Balance Sheet
December 31, 2023**

Assets

Cash and cash equivalents	\$ 6,761,348
Grants receivable, net	7,388,160
Advance to sub-grantees	2,777,775
Other assets	1,223,186
Investments (Notes 3 and 9)	156,678,210
Right-of-use operating lease assets, net	1,420,290
Interest rate swap contract (Note 6)	502,550
Property and equipment, net (Note 4)	15,458,844
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	\$ 192,210,363

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 1,898,357
Grants payable	127,117
Refundable advances	10,915,960
Lease liabilities, net	1,446,985
Bonds payable, net (Note 5)	9,223,022
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	23,611,441

Commitments and contingencies (Notes 9 and 10)

Net assets:

Without donor restrictions	161,508,086
With donor restrictions (Note 7)	7,090,836
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	168,598,922
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	\$ 192,210,363

See notes to consolidated financial statements.

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

**Consolidated Statement of Activities
Year Ended December 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Unconditional grants and contributions	\$ 2,529,328	\$ 6,490,167	\$ 9,019,495
Federal grants	6,164,534	-	6,164,534
Non-federal conditional grants and contributions	11,043,983	-	11,043,983
Contract revenue	2,465,439	-	2,465,439
Investment gain, net	18,347,107	-	18,347,107
Losses from foreign currency exchanges	(172,897)	-	(172,897)
Net assets released from restrictions	5,058,092	(5,058,092)	-
Total support and revenue	45,435,586	1,432,075	46,867,661
Expenses:			
Program services:			
Democracy	15,974,033	-	15,974,033
Geostrategy	7,303,680	-	7,303,680
Strategic Engagement	5,775,687	-	5,775,687
Innovation	1,978,065	-	1,978,065
Support services:			
Management and general	10,672,498	-	10,672,498
Fundraising	1,510,728	-	1,510,728
Total expenses	43,214,691	-	43,214,691
Change in net assets before other items	2,220,895	1,432,075	3,652,970
Other items:			
Interest expense and bond issuance amortization	(322,842)	-	(322,842)
Loss on interest rate swap agreement	(100,781)	-	(100,781)
Change in net assets	1,797,272	1,432,075	3,229,347
Net assets:			
Beginning	159,710,814	5,658,761	165,369,575
Ending	\$ 161,508,086	\$ 7,090,836	\$ 168,598,922

See notes to consolidated financial statements.

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2023**

	Program Services					Supporting Services				Total
	Democracy	Geostrategy	Strategic Engagement	Innovation	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 3,804,879	\$ 4,169,044	\$ 2,600,990	\$ 1,291,657	\$ 11,866,570	\$ 4,697,833	\$ 1,123,418	\$ 5,821,251	\$ 17,687,821	
Grants and other assistance	9,750,815	8,255	73,401	-	9,832,471	-	-	-	9,832,471	
Employee benefits	735,228	1,133,069	466,080	231,951	2,566,328	757,538	186,294	943,832	3,510,160	
Professional and consulting	668,837	387,580	824,262	101,105	1,981,784	854,837	9,475	864,312	2,846,096	
Travel	323,766	935,007	915,030	172,932	2,346,735	108,089	30,994	139,083	2,485,818	
Office expenses	102,364	77,325	158,108	27,042	364,839	1,989,409	22,097	2,011,506	2,376,345	
Occupancy and related expenses	255,622	174,277	104,566	54,773	589,238	857,740	54,773	912,513	1,501,751	
Conferences, conventions and meetings	56,867	191,263	452,804	24,877	725,811	21,585	7,513	29,098	754,909	
Depreciation	2,692	2,094	28,391	658	33,835	695,845	658	696,503	730,338	
Payroll taxes	138,173	83,289	111,133	58,102	390,697	214,692	50,900	265,592	656,289	
Insurance	4,807	3,738	2,243	1,175	11,963	229,786	1,175	230,961	242,924	
Accounting fees	44,201	64,344	12,126	2,333	123,004	103,724	2,333	106,057	229,061	
Other expenses	16,189	8,297	4,361	1,717	30,564	62,538	17,124	79,662	110,226	
Legal expenses	9,324	17,543	8,252	1,246	36,365	57,125	1,246	58,371	94,736	
Interest and finance charges	31,230	14,344	10,969	4,219	60,762	21,095	2,531	23,626	84,388	
Subscriptions and publications	29,039	34,211	2,971	4,278	70,499	662	197	859	71,358	
Total expenses before other items	15,974,033	7,303,680	5,775,687	1,978,065	31,031,465	10,672,498	1,510,728	12,183,226	43,214,691	
Interest expense and bond issuance amortization	125,729	57,768	44,175	16,990	244,662	67,986	10,194	78,180	322,842	
Total expenses after other items	\$ 16,099,762	\$ 7,361,448	\$ 5,819,862	\$ 1,995,055	\$ 31,276,127	\$ 10,740,484	\$ 1,520,922	\$ 12,261,406	\$ 43,537,533	

See notes to consolidated financial statements.

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

**Consolidated Statement of Cash Flows
Year Ended December 31, 2023**

Cash flows from operating activities:	
Change in net assets	\$ 3,229,347
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	730,338
Amortization on bond issuance costs	14,693
Net realized and unrealized gain on investments	(16,004,933)
Loss on interest rate swap agreement	100,781
Amortization of operating right-of-use assets	1,135,510
Changes in assets and liabilities:	
(Increase) decrease in:	
Grants receivable, net	(2,011,215)
Advance to sub-grantees	(1,258,177)
Other assets	(482,263)
Increase (decrease) in:	
Accounts payable and accrued expenses	(548,169)
Refundable advances	3,011,133
Grants payable	(133,060)
Principal payments on lease liabilities	(980,879)
Net cash used in operating activities	<u>(13,196,894)</u>
Cash flows from investing activities:	
Purchases of investments	(16,105,357)
Proceeds from sale of investments	31,492,563
Purchases of property, plant and equipment	(69,989)
Net cash provided by investing activities	<u>15,317,217</u>
Cash flows from financing activities:	
Proceeds from line of credit	1,500,000
Payments on line of credit	(3,202,000)
Net cash used in financing activities	<u>(1,702,000)</u>
Net increase in cash and cash equivalents	418,323
Cash and cash equivalents:	
Beginning	<u>6,343,025</u>
Ending	<u>\$ 6,761,348</u>
Supplemental disclosures of cash flow information:	
Cash payments for interest	<u>\$ 308,150</u>
Operating cash outflows—payments on operating leases	<u>\$ 712,689</u>
Right-of-use operating lease assets obtained in exchange for operating lease liabilities	<u>\$ 76,136</u>

See notes to consolidated financial statements.

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The German Marshall Fund of the United States—A Memorial to the Marshall Plan (GMF) was incorporated on March 15, 1972, under the laws of the District of Columbia. GMF is an American institution that strengthens transatlantic cooperation on regional, national and global challenges and opportunities in the spirit of the Marshall Plan via:

Democracy: GMF provides effective ways to build and defend democracy by championing its values and counteracting autocratic trends. GMF's programs bolster democracy by analyzing autocratic threats to democratic institutions, processes, and publics, and crafting policies and strategies to deter, defend against, and raise the costs of making such threats. GMF Democracy also assists civil society by supporting independent media, civic education and media literacy training, monitoring, and watchdog initiatives, and public awareness and advocacy campaigns.

Geostrategy: GMF provides policymakers and business leaders on both sides of the Atlantic with in-depth and comprehensive analyses of the political, economic, and strategic trends impacting them. GMF's audiences require holistic risk management that integrates policy planning and resilience in an international environment increasingly defined by geopolitical competition, environmental crisis, and hybrid threats.

Strategic Engagement: GMF convenes global leaders, policymakers, and experts across sectors to shape the transatlantic agenda and debate the most pressing global challenges. GMF offers rising and established leaders dynamic opportunities to build transatlantic bridges.

Innovation: GMF connects transatlantic partners more meaningfully to each other and the rest of the world by applying the lessons of history to shape future policies and practices and develop solutions, all aligned to share transatlantic values.

In May 2004, GMF formed a limited liability corporation named 1700 18th Street LLC (LLC), which was incorporated as a wholly owned subsidiary of GMF. The purpose of LLC was to purchase a building in Washington, D.C. In June 2004, LLC purchased a building for approximately \$5.9 million.

In March 2011, GMF formed a private foundation named The Transatlantic Foundation (TTF), which was incorporated in Brussels. The purpose of TTF is to receive and manage European funding through GMF's Brussels office.

A summary of GMF's significant accounting policies follows:

Principles of consolidation: The accompanying consolidated financial statements, which include the accounts of GMF, LLC and TTF (collectively, GMF), have been consolidated in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of presentation: The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Not-for-Profit Entities Topic of the Codification, GMF is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of GMF. GMF's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of GMF or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has restricted the funds to be maintained in perpetuity.

Cash and cash equivalents: Cash and cash equivalents consist of cash on deposit and repurchase agreements. As of December 31, 2023, GMF maintained \$4,017,198 in foreign bank accounts.

Translation of foreign currencies: The functional currency of GMF is the U.S. dollar. Financial statements for foreign activities reflect assets and liabilities converted to U.S. dollar values at prevailing rates of exchange. Gains or losses from fluctuations of foreign exchange rates are reported in the accompanying consolidated statement of activities.

Financial risk: GMF maintains its cash in bank deposit accounts which, at times, may exceed United States federally insured limits. In addition, GMF maintains several accounts in European financial institutions. GMF has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk on cash. GMF invests in professionally managed portfolios that contain money market funds, common shares of publicly traded companies, mutual funds and various alternative investments. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to change in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Grants receivable: GMF receives grants from a number of organizations for various purposes. For grants that are recognized as unconditional promises to give, the receivable is recorded as support in the period during which the promise is made to GMF. Unconditional promises to give to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. For grants determined to be conditional awards or grants, recognition is made as conditions are met or revenue earned, as applicable, in excess of amounts previously advanced. As of December 31, 2023, grants receivable amounted to \$7,388,160 net with a discount of \$58,730. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions. Management has determined no allowance is necessary as of December 31, 2023.

Grants receivable consist of the following at December 31, 2023:

Amounts due within one year	\$ 3,871,212
Amounts due in one to five years	3,425,678
Amounts due in over five years	150,000
	<u>7,446,890</u>
Less discount to net present value	(58,730)
Grants receivable, net	<u><u>\$ 7,388,160</u></u>

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments are carried at fair value. Fair value of mutual funds and publicly traded equities is determined using quoted market prices. To adjust the carrying value of these investments, the change in fair value is recorded as a component of investment income or loss, net in the accompanying consolidated statement of activities.

Investments in alternative investments are valued at fair value, based on the net asset value per share, or equivalent. In determining fair value, GMF utilizes valuations provided by the fund manager of the underlying investments. The underlying alternative investments value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying investments, which may include private placements and other securities for which prices are not readily available, are determined by the fund manager and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of GMF's alternative investments generally represents the amount GMF would expect to receive if it were to liquidate its investments excluding any liquidation costs that may apply. GMF may adjust the respective manager's valuation when circumstances support such an adjustment.

Advances to sub-grantees: For conditional awards provided on the advancement basis to sub-grantees, GMF records an advance when funds are provided. GMF records the related grant expense as conditions are satisfied.

Property and equipment: Property and equipment are reported at cost net of accumulated depreciation. GMF follows the practice of capitalizing all expenditures for property and equipment in excess of \$5,000. GMF currently depreciates its furniture and fixtures using the straight-line depreciation method over three to five years. Buildings are currently depreciated over a 40-year term using the straight-line method.

Bond issuance costs: GMF paid certain customary fees as required to secure the bonds payable used to finance construction projects. These fees had been capitalized and are being amortized over the term of the bonds using the effective interest method and are netted with bonds payable on the accompanying consolidated balance sheet. Amortization expense was \$14,693 for the year ended December 31, 2023.

Interest rate swap contract: GMF follows the accounting standard for derivative instruments and hedging activities, related to its participation in an interest rate swap contract in relation to its bonds payable, which is considered a derivative financial instrument. This standard requires that all derivative financial instruments be recognized in the consolidated financial statements at their fair value. Changes in the fair value of derivative financial instruments are recognized each period as a component of change in net assets.

Valuation of long-lived assets: GMF accounts for the subsequent measurement of certain long-lived assets in accordance with subsections of the FASB ASC Topic, Property, Plant and Equipment, that addresses impairment or disposal of long-lived assets. The accounting standard requires that property, plant and equipment and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the 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 estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Grants payable: GMF records grant expense and corresponding grant payable at the time the unconditional award is committed. GMF records conditional awards on the reimbursement basis as grant expense as conditions are satisfied.

Contributions: Unconditional contributions are recorded to net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions, including unconditional promises to give, cash or other assets, are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by GMF.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Assets received in connection with conditional promises are reported as refundable advances until such time the conditions are substantially met. Recognition of revenue for conditional grants is classified to net assets without donor restrictions if at the time conditions are satisfied that all restrictions have also been satisfied.

Contract revenue: GMF's revenue streams from contracts with customers are comprised of contract revenue on the accompanying consolidated statements of activities. Contract revenue is composed of revenue from consulting services, fellowship tuition, and event sponsorship. Contract revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a point in time. The majority of GMF's revenue under contract with customers is earned in the United States or Europe and the majority of customers are GMF alumni and leaders from business, government, and civil society.

Consulting services are recognized at a point in time when the milestone has been met. Revenue related to fellowship tuition are recognized over time as the services are provided and consumed. Event sponsorship is recognized over time as the event takes place. Payments for these activities under contract revenue received in advance are reported as deferred revenue.

The contracts do not include significant financing components, are generally less than two years and do not have variable considerations. GMF did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. The primary factor affecting future revenue and cash inflows is event cancellations. Management does not believe there is a material risk of loss for future revenue and cash inflows related to event cancellations.

Income taxes: GMF is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation within the meaning of Section 509(a) of the Code. However, GMF is subject to income taxes on unrelated business income as defined by the Internal Revenue Service.

During the year ended December 31, 2023, GMF incurred no net tax expense related to unrelated business income activities.

LLC is a single member limited liability company for federal income tax purposes. All tax attributes flow through to GMF under this entity form. Accordingly, no provision for income taxes has been made.

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

TTF is a foreign nonprofit entity incorporated under the laws of Brussels, Belgium. There was immaterial activity under TTF during the year ended December 31, 2023.

According to the accounting standard for uncertainty in income taxes, for the period from GMF's inception to December 31, 2023, no unrecognized tax provision or benefit existed. Deferred income taxes are provided using the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences.

Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the consolidated financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more likely than not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits in the accompanying consolidated balance sheet, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Management believes there are no positions that would result in additional tax liability.

Interest and penalties associated with unrecognized tax benefits are classified as additional income taxes on the consolidated statement of activities.

GMF files income tax returns in the U.S. federal jurisdiction. As of December 31, 2023, and for the year then ended, there were no material unrecognized/derecognized tax benefits or tax penalties or interest.

Functional expense classification: The costs of providing various program and supporting services have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain overhead costs such as depreciation, insurance, occupancy and supplies have been allocated among the programs and supporting services benefit based on headcount.

Leases: GMF determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. GMF also considers whether its service arrangements include the right to control the use of an asset.

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

GMF recognizes most leases on its consolidated balance sheet as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

GMF made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, GMF made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

GMF made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for all leases. The non-lease components typically represent additional services transferred to the Entity, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred. GMF elected to utilize the risk-free rate of interest at the lease commencement date to determine the discount rate.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events: GMF has evaluated subsequent events through August 19, 2024, the date on which the consolidated financial statements were available to be issued.

Note 2. Liquidity and Availability

GMF regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, GMF considers all expenditures related to its ongoing activities of strengthening transatlantic cooperation as well as the conduct of services undertaken to support those activities to be general expenditures. GMF also has access to a line of credit in the amount of \$2,000,000 for needed liquidity. As of December 31, 2023, there is no outstanding balance on the line of credit.

**The German Marshall Fund of the United States—
A Memorial to the Marshall Plan and Subsidiaries**

Notes to Consolidated Financial Statements

Note 2. Liquidity and Availability (Continued)

Financial assets available for general expenditure reduced by amounts not available for general use, due to donor restrictions or terms of the investment, comprise the following at December 31, 2023:

Cash and cash equivalents	\$ 6,761,348
Grants receivable	7,388,160
Investments	156,678,210
Total financial assets available	<u>170,827,718</u>
Less net assets with donor restrictions	(7,090,836)
Less investments not available for redemption within one year	(41,867,502)
Less refundable advances	<u>(10,915,960)</u>
Financial assets not available to be used for general expenditures	<u>(59,874,298)</u>
Financial assets available to meet cash needs for general expenditures within 12 months	<u><u>\$ 110,953,420</u></u>

Note 3. Investments

Investments at December 31, 2023, consist of the following:

Money market mutual funds	\$ 3,037,248
Mutual funds—bonds	15,876,065
Mutual funds—equities	45,975,920
Publicly traded equities	13,008,282
Alternative investments—equity funds	11,921,323
Alternative investments—hedge funds	18,063,660
Alternative investments—natural resources	17,486,774
Alternative investments—private equity	23,782,165
Alternative investments—private debt	5,071,489
Alternative investments—private real estate	2,455,284
	<u><u>\$ 156,678,210</u></u>

Investment gain, net for the year ended December 31, 2023, consists of the following:

Realized and unrealized gain on investments	\$ 16,004,933
Interest and dividends	2,552,484
Investment management fees	(210,310)
	<u><u>\$ 18,347,107</u></u>

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Notes to Consolidated Financial Statements

Note 4. Property and Equipment

At December 31, 2023, property and equipment consist of the following:

Building	\$ 24,978,995
Furniture and fixtures	1,118,239
Land	1,237,440
	<u>27,334,674</u>
Less accumulated depreciation	(11,875,830)
	<u>\$ 15,458,844</u>

Note 5. Bonds Payable and Line of Credit

In April 2016, the District of Columbia issued its \$9,400,000 Variable Rate Refunding Revenue Bonds (The German Marshall Fund of the United States Issue) Series 2016 (the Bonds) and loaned the proceeds to GMF in order to refund the Series 2011 bonds. The Bonds mature on June 1, 2046, subject to the possibility of earlier redemption, with principal repayment to start on June 1, 2026. Interest rate is 67% of the sum of London Interbank Offered Rate (LIBOR) and the spread of 1.28%, and margin rate factor (as defined in the Indenture of Trust). The interest rate terms, factoring in the impact of an interest rate swap contract (see Note 6) achieves an effective annual interest rate of 2.35%. Interest expense for the years ended December 31, 2023 was \$325,116. Under the lender mode credit agreement, GMF is subject to a number of covenants including a requirement to maintain a specified liquidity ratio. Effective July 2023, the interest rate base for the Bonds was changed from LIBOR to the Secured Overnight Financing Rate (SOFR).

As of December 31, 2023, bonds payable consist of the following:

Bonds payable	\$ 9,325,867
Less bond issuance costs, net of amortization	(102,845)
	<u>\$ 9,223,022</u>

The future principal maturities of the bonds payable subsequent to year-end are scheduled as follows:

Years ending December 31:	
2024	\$ -
2025	-
2026	213,000
2027	373,000
2028	381,000
Thereafter	8,358,867
	<u>\$ 9,325,867</u>

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Notes to Consolidated Financial Statements

Note 5. Bonds Payable and Line of Credit (Continued)

GMF has a line of credit agreement with a bank for \$2,000,000 that expires October 29, 2024. At December 31, 2023, the balance payable on the line of credit was \$0. At December 31, 2023, the interest rate was 6.83%.

Note 6. Interest Rate Swap Contract

GMF has an interest rate swap contract with a financial institution to reduce the impact of changes in the interest rates on the Bonds. The swap contract was entered into for a 15-year period commencing in May 2016. The notional principal amount of the interest rate swap contract was \$9,326,000 as of December 31, 2023. In accordance with the swap contract, GMF pays a fixed rate of interest of 1.493%, and receives a variable interest rate, which was approximately 3.61% at December 31, 2023. GMF recognized a loss of \$100,781 under this interest rate swap contract for the year ended December 31, 2023. At December 31, 2023, the fair value of the swap contract was an asset of \$502,550. The swap contract terminates in May 2031. Effective in June 2023, the interest rate benchmark for the swap contract was changed from LIBOR to SOFR and the interest rate formula was changed such that the new effective interest rate will be in line with the previous interest rate.

Note 7. Net Assets With Donor Restrictions

At December 31, 2023, net assets with donor restrictions are available for the following purposes:

Democracy and civil society	\$ 5,485,665
Transatlantic policy dialogue	1,605,171
	<u>\$ 7,090,836</u>

A total of \$5,058,092 was released from restrictions during the year ended December 31, 2023 as a result of satisfying donor restrictions.

Note 8. Pension Plan

Eligible employees may contribute their own savings to GMF's defined contribution retirement program immediately upon hire. During the year ended December 31, 2023, GMF contributed an amount equal to 3% of a participant's eligible annual salary and matched participant savings up to 7% of their annual compensation. Retirement expense was approximately \$600,000 for the year ended December 31, 2023. Employer matching contributions for employees hired after January 1, 2014, vest over a five-year schedule.

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Notes to Consolidated Financial Statements

Note 9. Fair Value Measurements

GMF has adopted the Fair Value Measurement Topic issued by the FASB. This Topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under this Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under this Topic are described below:

Level 1: Adjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The type of investments included in Level 1 includes listed equities and listed derivatives. As required by this Topic, GMF does not adjust the quoted price for these investments, even in situations where GMF holds a large position, and a sale could reasonably impact the quoted price.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives. GMF's swap agreement is valued based on quoted values stated by the bank's mark-to-market estimate using the stated fixed rate and BMA Municipal Swap Index interest ratings. The interest rate is observable at commonly quoted indexes for the full term of the instrument and is, therefore, considered Level 2 item. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. During 2023, three alternative investments valued at \$4,063,102 was transferred from NAV into the Level 3 category of the fair value hierarchy. The investments included in this category during 2023 are interests in natural resource investment funds where fair value is not based on a net asset value (NAV) practical expedient.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. GMF's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the investment. In determining the appropriate levels, GMF performs analysis of these assets and liabilities that are subject to this Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

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Notes to Consolidated Financial Statements

Note 9. Fair Value Measurements (Continued)

The following table presents the investments carried at fair value in the consolidated balance sheet by level within the valuation hierarchy as of December 31, 2023:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Assets:					
Investments:					
Money market mutual funds	\$ 3,037,248	\$ 3,037,248	\$ -	\$ -	\$ -
	<u>3,037,248</u>	<u>3,037,248</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mutual funds:					
Bond:					
Intermediate-term bond	15,876,065	15,876,065	-	-	-
	<u>15,876,065</u>	<u>15,876,065</u>	<u>-</u>	<u>-</u>	<u>-</u>
Equity:					
Large blend	33,053,123	33,053,123	-	-	-
Foreign large growth	4,682,756	4,682,756	-	-	-
Foreign small/mid value	4,368,853	4,368,853	-	-	-
Diversified emerging markets	3,871,188	3,871,188	-	-	-
	<u>45,975,920</u>	<u>45,975,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
Publicly traded equities:					
Real estate	3,878,164	3,878,164	-	-	-
Infrastructure	3,711,696	3,711,696	-	-	-
Technology	1,666,800	1,666,800	-	-	-
Industrials	1,080,438	1,080,438	-	-	-
Consumer goods	916,463	916,463	-	-	-
Financial services	840,909	840,909	-	-	-
Communication services	532,618	532,618	-	-	-
Healthcare	381,194	381,194	-	-	-
	<u>13,008,282</u>	<u>13,008,282</u>	<u>-</u>	<u>-</u>	<u>-</u>
Alternative investments	78,780,695	-	-	5,245,948	73,534,747
	<u>78,780,695</u>	<u>-</u>	<u>-</u>	<u>5,245,948</u>	<u>73,534,747</u>
Total investments	<u>\$ 156,678,210</u>	<u>\$ 77,897,515</u>	<u>\$ -</u>	<u>\$ 5,245,948</u>	<u>\$ 73,534,747</u>
Interest rate swap contract	\$ 502,550	\$ -	\$ 502,550	\$ -	\$ -

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Notes to Consolidated Financial Statements

Note 9. Fair Value Measurements (Continued)

NAV is defined as the value of a mutual (or similar) fund that is reached by deducting the fund's liabilities from the market value of all of its assets and then dividing by the number of issued shares (or units of ownership). Depending on the type of fund and the nature of its assets, a variety of valuation techniques can be used to arrive at the market value of its assets and liabilities.

Alternative investments are less liquid than the other investments. The following table sets forth additional disclosures of GMF's investments at December 31, 2023. Fair value of alternative investments is estimated using NAV per share (or its equivalent) or significant unobservable inputs (Level 3) at December 31, 2023.

Alternative Investments	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities (a):				
U.S. equity	\$ 1,621,357	\$ -	Quarterly	90 days
Public equity	4,601,290	-	Monthly	30 days
International equity	5,698,676	-	Monthly	30 days
	<u>11,921,323</u>	<u>-</u>		
Hedge funds (b):				
Managed futures	6,600,164	-	Monthly	3 days
Multi-strategy	11,463,496	-	Quarterly	60-65 days
	<u>18,063,660</u>	<u>-</u>		
Natural resources (c):				
Master limited partnership	6,928,210	-	Monthly	30 days
Diversified	5,312,616	8,519	Not applicable	Not applicable
Energy	5,245,948	44,310	Not applicable	Not applicable
	<u>17,486,774</u>	<u>52,829</u>		
Private equity (d):				
Buyout/venture capital	6,312,099	2,379,026	Not applicable	Not applicable
Diversified	17,470,066	4,905,863	Not applicable	Not applicable
	<u>23,782,165</u>	<u>7,284,889</u>		
Private debt (e):				
Distressed	5,039,243	725,000	Not applicable	Not applicable
Mezzanine	32,246	59,375	Not applicable	Not applicable
	<u>5,071,489</u>	<u>784,375</u>		
Private real estate (f)				
	2,455,284	2,504,778	Not applicable	Not applicable
	<u>\$ 78,780,695</u>	<u>\$ 10,626,871</u>		

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Notes to Consolidated Financial Statements

Note 9. Fair Value Measurements (Continued)

(a) Equities: This category includes investments in funds that invest in domestic and international equities.

(b) Hedge funds: This category includes investments in hedge funds that invest both long and short in various domestic and international common stocks. The funds invest using a variety of strategies, including event driven and distressed instruments, derivative contracts, and other financial instruments. Management of the various funds have the ability to shift from value to growth strategies, from small to large capitalization stocks, and from a net short position to a net long position. The fair value of the investments in this category has been estimated using the NAV per share of the investments.

(c) Natural resources: This category includes investments in natural resources such as timber, oil or natural gas that are done through limited partnerships. Investments held in closed-end funds cannot be redeemed at the investor's discretion. The fair value of several investments in this category has been estimated using the NAV per share of the investments and one investment in this category is valued based on an income approach using significant unobservable inputs (Level 3).

(d) Private equity funds: This category includes several private equity funds. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the funds. As of December 31, 2023, it was probable that the investments in this category would be liquidated at an amount different from the NAV of the GMF's ownership interest in partners' capital. Therefore, the fair value of the investments in this category has been estimated using recent observable transaction information received from potential buyers of the investments. It is estimated that the underlying assets of the funds will be liquidated over five to eight years.

(e) Private debt: This category includes several private equity funds focusing on private debt. The investment strategies of these funds focus on debt securities of companies undergoing financial distress, operating difficulties and significant restructuring and on acquiring eligible assets, which include certain commercial mortgage-backed securities and non-agency residential mortgage-backed securities, under the Public-Private Investment Partnership, which seeks to unlock frozen credit markets and expand lending activity. The fair value of the investments in this category has been estimated using the NAV per share of the investments.

(f) Private real estate: This category includes investments primarily in the purchase, improvement and/or rental of property, and indirect investments made through an entity that invests in property, such as a real estate investment trust (REIT). Real estate has a relatively new correlation with the behavior of the stock market and is often viewed as a hedge against inflation. The fair value of the investments in this category has been estimated using the NAV per share of the investments.

Note 10. Contingencies

GMF participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

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Notes to Consolidated Financial Statements

Note 11. Operating Leases

GMF determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. Under Topic 842, a contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. GMF also considers whether its service arrangements include the right to control the use of an asset.

GMF leases premises for the purpose of commercial office use from unrelated parties under operating lease agreements that have terms from transition of one to six years. Leases may include options to renew, generally at GMF's sole discretion, with renewal terms that can extend the lease term. These options to extend a lease are included in the lease terms when it is reasonably certain that GMF will exercise that option. GMF's leases generally do not contain any material restrictive covenants. Operating lease cost is recognized on a straight-line basis over the lease term.

GMF currently leases office space and office equipment under noncancellable operating leases expiring at various dates through 2029. GMF's international office locations, with the exception of their Belgrade office, have escalating rent payments included that are captured as variable lease payments.

During the year ended December 31, 2023, GMF modified a field office lease. The lease modification, entered into on November 16, 2023, reduced both the square footage of office space as well as the monthly lease payment. GMF accounted for this modification as a partial termination of the lease, reducing the lease liability and the ROU asset by approximately \$600,000. GMF recorded the value of the lease liability based off of the risk-free rate in effect on the date of the modification for the remaining lease term.

Future undiscounted cash flows for each of the next five years and thereafter, and reconciliation to the lease liabilities recognized on the consolidated balance sheet as of December 31, 2023 is as follows:

Years ending December 31:	
2024	\$ 473,796
2025	287,384
2026	273,816
2027	234,071
2028	228,477
Thereafter	95,199
Total lease payments	<u>1,592,743</u>
Less present value discount	<u>(145,758)</u>
Total present value of lease liabilities	<u>\$ 1,446,985</u>

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Notes to Consolidated Financial Statements

Note 11. Operating Leases (Continued)

Other quantitative information is as follows for the years ended December 31, 2023:

Operating lease cost	\$ 709,080
Operating cash outflows—payments on operating leases	712,689
Operating lease liability at December 31, 2023	1,446,985
Leased assets obtained in exchange for operating lease liabilities	76,136
Operating lease right-of-use asset, net of amortization at December 31, 2023	1,420,290
Weighted-average remaining lease term (in years)	4.62
Weighted-average discount rate	3.47%

Note 12. Conditional Grant

Conditional contributions and grants are recognized as earned in the year in which GMF incurs qualified expenses which also meet the conditions. Conditional contribution and grant funds received in excess of costs incurred are recorded as deferred revenue until earned. Qualified expenses (which also meet the conditions) incurred in excess of funds received are recorded as grants receivable. As of December 31, 2023, the following are conditional contributions:

Funder	Total Conditional Grants	Amount Earned Through December 31, 2023	Amount Left to Earn
Grants from U.S. government	\$ 52,901,591	\$ 31,741,712	\$ 21,159,879
Grants from other donors	51,668,125	28,388,492	23,279,633
	<u>\$ 104,569,716</u>	<u>\$ 60,130,204</u>	<u>\$ 44,439,512</u>

GMF has also awarded conditional grants to sub-grantees related to the performance of these projects. As of December 31, 2023, the following are conditional contributions provided:

Funder	Total Conditional Grants	Amount Earned Through December 31, 2023	Amount Left to Expense
Grants provided to sub-grantees	\$ 36,826,439	\$ 34,048,663	\$ 2,777,776
	<u>\$ 36,826,439</u>	<u>\$ 34,048,663</u>	<u>\$ 2,777,776</u>

Note 13. Concentrations

For the year ended December 31, 2023, GMF received 13% of its support from USAID, which is included within Federal Grants in the consolidated statement of activities.