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

Consolidated Financial Report
December 31, 2022

Contents

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, 2022, 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, 2022, 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 September 13, 2023, 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.
September 13, 2023

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

**Consolidated Balance Sheet
December 31, 2022**

Assets	
Cash and cash equivalents	$ 6,343,025
Grants receivable, net	5,376,945
Advance to sub-grantees	1,519,598
Other assets	740,923
Investments (Notes 3 and 9)	156,060,483
Right-of-use lease assets, net	2,555,799
Interest rate swap contract (Note 6)	603,332
Property and equipment, net (Note 4)	16,119,193
	$ 189,319,298
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	$ 2,446,526
Grants payable	260,177
Refundable advance	7,904,827
Line of credit (Note 5)	1,702,000
Lease liabilities	2,427,864
Bonds payable, net (Note 5)	9,208,329
	23,949,723
Commitments and contingencies (Notes 9 and 10)	
Net assets:	
Without donor restrictions	159,710,814
With donor restrictions (Note 7)	5,658,761
	165,369,575
	$ 189,319,298

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Unconditional grants and contributions	$ 2,202,009	$ 3,983,539	$ 6,185,548
Federal grants	5,532,684	-	5,532,684
Non-federal conditional grants and contributions	11,319,572	-	11,319,572
Contract revenue	2,787,100	-	2,787,100
Other	34,882	-	34,882
Investment loss, net	(8,971,615)	-	(8,971,615)
Losses from foreign currency exchanges	(148,477)	-	(148,477)
Net assets released from restrictions	5,686,898	(5,686,898)	-
Total support and revenue	18,443,053	(1,703,359)	16,739,694
Expenses:			
Program services:			
Policy	16,245,430	-	16,245,430
Civil society	12,426,498	-	12,426,498
Leadership	2,478,484	-	2,478,484
Support services:			
Management and general	7,153,092	-	7,153,092
Fundraising	1,157,778	-	1,157,778
Total expenses	39,461,282	-	39,461,282
Change in net assets before other items	(21,018,229)	(1,703,359)	(22,721,588)
Other items:			
Interest expense and bond issuance amortization	(277,482)	-	(277,482)
Gain on interest rate swap agreement	1,069,932	-	1,069,932
Change in net assets	(20,225,779)	(1,703,359)	(21,929,138)
Net assets:			
Beginning	179,936,593	7,362,120	187,298,713
Ending	$ 159,710,814	$ 5,658,761	$ 165,369,575

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, 2022

	Program Services				Supporting Services			
	Policy	Civil Society	Leadership	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and wages	$ 7,433,981	$ 1,593,845	$ 886,027	$ 9,913,853	$ 3,208,209	$ 835,233	$ 4,043,442	$ 13,957,295
Grants and other assistance	969,419	9,420,281	120,974	10,510,674	-	-	-	10,510,674
Professional and consulting	1,593,255	317,415	115,019	2,025,689	890,726	24,940	915,666	2,941,355
Employee benefits	1,802,844	272,962	144,738	2,220,544	479,374	117,943	597,317	2,817,861
Travel	1,376,790	214,834	949,856	2,541,480	119,538	17,986	137,524	2,679,004
Office expenses	432,515	99,034	35,750	567,299	1,524,346	22,168	1,546,514	2,113,813
Occupancy and related expenses	1,002,372	175,290	44,329	1,221,991	121,904	33,247	155,151	1,377,142
Conferences, conventions and meetings	590,143	40,696	72,775	703,614	63,103	9,700	72,803	776,417
Depreciation	363,244	137,832	54,839	555,915	145,258	39,296	184,554	740,469
Payroll taxes	284,113	34,571	32,352	351,036	166,426	42,577	209,003	560,039
Subscriptions and publications	272,731	19,344	1,770	293,845	520	247	767	294,612
Accounting fees	52,372	77,152	18,736	148,260	108,591	-	108,591	256,851
Insurance	31,176	149	-	31,325	194,913	-	194,913	226,238
Other expenses	22,019	10,086	1,319	33,424	38,307	14,441	52,748	86,172
Legal expenses	18,456	13,007	-	31,463	49,704	-	49,704	81,167
Interest and finance charges	-	-	-	-	42,173	-	42,173	42,173
Total expenses before other items	16,245,430	12,426,498	2,478,484	31,150,412	7,153,092	1,157,778	8,310,870	39,461,282
Interest expense and bond issuance amortization	131,804	52,028	20,811	204,643	57,231	15,608	72,839	277,482
Total expenses after other items	$ 16,377,234	$ 12,478,526	$ 2,499,295	$ 31,355,055	$ 7,210,323	$ 1,173,386	$ 8,383,709	$ 39,738,764

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, 2022

Cash flows from operating activities:	
Change in net assets	$ (21,929,138)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	740,469
Amortization on bond issuance costs	14,693
Net realized and unrealized loss on investments	10,929,491
Gain on interest rate swap agreement	(1,069,932)
Amortization of operating right-of-use assets	283,449
Changes in assets and liabilities:	
(Increase) decrease in:	
Grants receivable, net	182,389
Advance to sub-grantees	3,361,947
Other assets	(360,394)
Increase (decrease) in:	
Accounts payable and accrued expenses	874,305
Refundable advance	(2,460,494)
Grants payable	158,188
Principal payments on lease liabilities	(411,384)
Net cash used in operating activities	(9,686,411)
Cash flows from investing activities:	
Purchases of investments	(23,527,785)
Proceeds from sale of investments	23,222,433
Net cash used in investing activities	(305,352)
Cash flows from financing activities:	
Proceeds from line of credit	1,702,000
Net cash provided by financing activities	1,702,000
Net decrease in cash and cash equivalents	(8,289,763)
Cash and cash equivalents:	
Beginning	14,632,788
Ending	$ 6,343,025
Supplemental disclosure of cash flow information:	
Cash payments for interest	$ 262,789
Operating cash outflows—payments on operating leases	$ 595,700
Addition to right-of-use asset for operating lease at Accounting Standards Codification 842 adoption	$ 2,840,000
Addition to operating lease liability at Accounting Standards Codification 842 adoption	$ 2,840,000

See 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:

Policy: GMF provides effective ways forward to solving today's transatlantic policy issues.

Civil society: GMF supports civil society by fostering democratic initiatives, rule of law and regional cooperation.

Leadership: GMF offers rising and established leaders dynamic opportunities to build transatlantic bridges.

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.

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, 2022, GMF maintained $3,963,003 in foreign bank accounts.

Translation of foreign currencies: 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.

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

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. As of December 31, 2022, grants receivable amounted to $5,452,098 net with a discount of $75,153. Included in this amount is one unconditional promise to give that is expected to be collected in future years which totaled $1,200,000 as of December 31, 2022. Annual payments on the unconditional promise to give of $150,000 are scheduled to be received in the years 2023 through 2032. 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, 2022.

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.

Derivative financial instruments and hedging activities: GMF invests in funds that invest in various derivative instruments (e.g., options, warrants, futures, swap contracts). Derivative instruments are typically held to advance fund investment strategies, to hedge investment risk and to economically meet the objectives of the fund. Derivatives are recorded at fair value and the resulting gains and losses are reflected as a component of investment income, net in the consolidated statement of activities.

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

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, 2022.

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.

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.

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

Contract revenue: GMF's revenue streams from contracts with customers are comprised of contract revenue on the accompanying consolidated statement 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 cancelations. 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, 2022, 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.

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, 2022.

According to the accounting standard for uncertainty in income taxes, for the period from GMF's inception to December 31, 2022, 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.

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

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, 2022, 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.

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.

Recently adopted accounting pronouncement: In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations related to their leasing arrangements. This comprehensive new standard amends and supersedes existing lease accounting guidance and is intended to increase transparency and comparability among organizations by recognizing right-of-use (ROU) lease assets and lease liabilities on the balance sheet and requiring disclosure of key information about leasing arrangements.

Lease expense continues to be recognized in a manner similar to legacy U.S. GAAP. GMF adopted the new lease standard on January 1, 2022 using the optional transition method to the modified retrospective approach. Under this transition provision, results for reporting periods beginning on January 1, 2022 are presented under Topic 842, while prior period amounts continue to be reported and disclosed in accordance with GMF's historical accounting treatment under ASC Topic 840, Leases.

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

To reduce the burden of adoption and ongoing compliance with Topic 842, a number of practical expedients and policy elections are available under the new guidance. GMF elected the “package of practical expedients” permitted under the transition guidance, which among other things, did not require reassessment of whether contracts entered into prior to adoption are or contain leases, and allowed carryforward of the historical lease classification for existing leases. GMF has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term at adoption on January 1, 2022.

GMF made an accounting policy election under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less. For all other leases, GMF recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease (or January 1, 2022 for existing leases upon the adoption of Topic 842). 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.

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

A lessee that is not a public business entity is permitted to use a risk-free discount rate for its leases, determined using a period comparable with that of the lease term, as an accounting policy election for all leases. In order to ease the accounting burden of determining incremental borrowing rates under ASC 842, GMF has made this accounting policy election for all leases. The risk-free discount rates were obtained using U.S. Treasury securities as posted on the Federal Reserve website.

Adoption of Topic 842 resulted in the recording of ROU assets and lease liabilities related to GMF’s pre-existing operating leases of approximately $2,670,000, on January 1, 2022. Additionally, ROU assets and lease liabilities related to new office leases of approximately $170,000 were recognized during the year ended December 31, 2022. The adoption of the new lease standard did not materially impact our consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Subsequent events: GMF has evaluated subsequent events through September 13, 2023, 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, 2022, there is an outstanding balance of $1,702,000 on the line of credit.

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:

Cash and cash equivalents	$ 6,343,025
Grants receivable	5,376,945
Investments	156,060,483
Total financial assets available	167,780,453
Less net assets with donor restrictions	(5,658,761)
Less investments not available for redemption within one year	(44,285,455)
Less refundable advance	(7,904,827)
Financial assets not available to be used for general expenditures	(57,849,043)
Financial assets available to meet cash needs for general expenditures within 12 months	$ 109,931,410

Note 3. Investments

Investments at December 31, 2022, consist of the following:

Money market mutual funds	$ 3,198,792
Mutual funds—bonds	17,418,075
Mutual funds—equities	37,873,254
Publicly traded equities	14,783,335
Alternative investments—equity funds	15,570,137
Alternative investments—hedge funds	17,023,620
Alternative investments—natural resources	17,070,444
Alternative investments—private equity	24,655,468
Alternative investments—private debt	6,298,405
Alternative investments—private real estate	2,168,953
	$ 156,060,483

Investment loss, net for the year ended December 31, 2022, consists of the following:

Realized and unrealized loss on investments	$ (10,929,491)
Interest and dividends	2,208,157
Investment management fees	(250,281)
	$ (8,971,615)

Note 4. Property and Equipment

At December 31, 2022, property and equipment consist of the following:

Building	$ 24,909,006
Furniture and fixtures	1,118,239
Land	1,237,440
	27,264,685
Less accumulated depreciation	(11,145,492)
	$ 16,119,193

Depreciation expense was $740,469 for the year ended December 31, 2022.

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 year ended December 31, 2022, was $262,789. 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, 2022, bonds payable consist of the following:

Bonds payable	$ 9,325,867
Less bond issuance costs, net of amortization	(117,538)
	$ 9,208,329

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
	$ 9,325,867

GMF has a line of credit agreement with a bank for $2,000,000 that expires July 31, 2024. At December 31, 2022, the balance payable on the line of credit was $1,702,000. At December 31, 2022, the interest rate was 5.61%.

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, 2022. 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 2.76% at December 31, 2022. GMF recognized a gain of $1,069,932 under this interest rate swap contract for the year ended December 31, 2022. At December 31, 2022, the fair value of the swap contract was an asset of $603,332. 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, 2022, net assets with donor restrictions are available for the following purposes:

Transatlantic policy dialogue	$ 3,837,351
Democracy and civil society	1,821,410
	$ 5,658,761

A total of $5,686,898 was released from restrictions during the year ended December 31, 2022, 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, 2022, 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 $540,000 for the year ended December 31, 2022. Employer matching contributions for employees hired after January 1, 2014, vest over a five-year schedule.

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 2022, one alternative investment valued at $1,640,772 was transferred from NAV into the Level 3 category of the fair value hierarchy. The investment included in this category during 2022 is an interest in a natural resource investment fund 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 judgment, 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.

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, 2022:

	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	$ 3,198,792	$ 3,198,792	$ -	$ -	$ -
	3,198,792	3,198,792	-	-	-
Mutual funds:					
Bond:					
Intermediate-term bond	17,418,075	17,418,075	-	-	-
	17,418,075	17,418,075	-	-	-
Equity:					
Diversified emerging markets	3,474,710	3,474,710	-	-	-
Foreign small/mid value	3,715,704	3,715,704	-	-	-
Foreign large growth	4,089,138	4,089,138	-	-	-
Large blend	26,593,702	26,593,702	-	-	-
	37,873,254	37,873,254	-	-	-
Publicly traded equities:					
Consumer goods	844,395	844,395	-	-	-
Foreign equities	3,387,063	3,387,063	-	-	-
Financial services	393,924	393,924	-	-	-
Healthcare	396,994	396,994	-	-	-
Industrials	1,159,831	1,159,831	-	-	-
Infrastructure	3,634,968	3,634,968	-	-	-
Real estate	3,338,688	3,338,688	-	-	-
Communication services	313,307	313,307	-	-	-
Technology	1,314,165	1,314,165	-	-	-
	14,783,335	14,783,335	-	-	-
Alternative investments	82,787,027	-	-	1,640,772	81,146,255
	82,787,027	-	-	1,640,772	81,146,255
Total investments	$ 156,060,483	$ 73,273,456	$ -	$ 1,640,772	$ 81,146,255
Interest rate swap contract	$ 603,332	$ -	$ 603,332	$ -	$ -

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, 2022. Fair value of alternative investments is estimated using NAV per share (or its equivalent) or significant unobservable inputs (Level 3) at December 31, 2022.

Alternative Investments	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities (a):				
U.S. equity	$ 6,254,474	$ -	Quarterly	90 days
Public equity	4,359,250	-	Monthly	30 days
International equity	4,956,413	-	Monthly	30 days
	15,570,137	-		
Hedge funds (b):				
Managed futures	6,413,927	-	Monthly	3 days
Multi-strategy	10,609,693	-	Quarterly	60-65 days
	17,023,620	-		
Natural resources (c):				
Master limited partnership	5,907,815	-	Monthly	30 days
Diversified	5,358,468	8,519	Not applicable	Not applicable
Energy	5,804,161	44,310	Not applicable	Not applicable
	17,070,444	52,829		
Private equity (d):				
Buyout/venture capital	7,554,772	2,291,723	Not applicable	Not applicable
Diversified	16,423,638	1,434,298	Not applicable	Not applicable
Special situations	677,058	-	Not applicable	Not applicable
	24,655,468	3,726,021		
Private debt (e):				
Distressed	6,267,005	725,000	Not applicable	Not applicable
Mezzanine	31,400	59,375	Not applicable	Not applicable
	6,298,405	784,375		
Private real estate (f)	2,168,953	2,989,829	Not applicable	Not applicable
	$ 82,787,027	$ 7,553,054		

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

Note 9. Fair Value Measurements (Continued)

(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, 2022, 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. One fund in this category with an estimated value of approximately $460,000 as of December 31, 2022 began liquidation in June 2023.

(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.

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.

Future undiscounted cash flows for each of the next five years and thereafter, and reconciliation to the lease liabilities recognized on the balance sheet as of December 31, 2022 is as follows:

Years ending December 31:	
2023	$ 670,895
2024	475,005
2025	335,357
2026	335,357
2027	309,396
Thereafter	430,430
Total lease payments	2,556,440
Less present value discount	(128,576)
Total present value of lease liabilities	$ 2,427,864

Other quantitative information is as follows for the year ended December 31, 2022:

Operating lease cost	$ 610,885
Operating cash outflows—payments on operating leases	595,700
Operating lease liability at December 31, 2022	2,427,864
Operating lease right-of-use asset, net of amortization at December 31, 2022	2,555,799
Weighted-average remaining lease term (in years)	5.40
Weighted-average discount rate	1.43%

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, 2022, the following are conditional contributions:

Funder	Total Conditional Grants	Amount Earned Through December 31, 2022	Amount Left to Earn
Grants from U.S. government	$ 40,035,636	$ 28,453,241	$ 11,582,395
Grants from other donors	37,603,977	26,453,408	11,150,569
	$ 77,639,613	$ 54,906,649	$ 22,732,964

GMF has also awarded conditional grants to sub-grantees related to the performance of these projects. As of December 31, 2022, the following are conditional contributions provided:

	Total Conditional Grants	Amount Earned Through December 31, 2022	Amount Left to Expense
Grants provided to sub-grantees	$ 26,579,526	$ 25,134,927	$ 1,444,599
	$ 26,579,526	$ 25,134,927	$ 1,444,599