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

Consolidated Financial Report
May 31, 2020

Contents

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 Financial Statements
We have audited the accompanying 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 May 31, 2020, 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).

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The German Marshall Fund of the United States – A Memorial to the Marshall Plan and Subsidiaries as of May 31, 2020, 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.

Report on Summarized Comparative Information
We have previously audited GMF's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020, 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.
October 23, 2020

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

Consolidated Balance Sheet
May 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Assets		
Cash and cash equivalents	**$ 3,916,616**	$ 9,828,932
Grants receivable	**7,432,627**	5,689,735
Investments (Notes 3 and 9)	**135,678,485**	142,851,495
Property and equipment, net (Note 4)	**17,746,350**	18,399,320
Other assets	**1,200,558**	775,789
	$ 165,974,636	$ 177,545,271
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,599,884**	$ 2,133,649
Deferred revenue	**2,996,772**	3,622,725
Grants payable	**753,401**	422,169
Line of Credit (Note 5)	**800,000**	-
Bonds payable, net (Note 5)	**9,164,250**	9,149,557
Interest rate swap agreement (Note 6)	**1,089,437**	143,243
	16,403,744	15,471,343
Commitments and contingency (Notes 9, 10 and 11)		
Net assets:		
Without donor restrictions	**142,501,462**	154,322,657
With donor restrictions (Note 7)	**7,069,430**	7,751,271
	149,570,892	162,073,928
	$ 165,974,636	$ 177,545,271

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 May 31, 2020
(With Comparative Totals for 2019)

	2020			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	2019 Total
Support and revenue:				
Non-federal grants and contributions	**$ 6,593,428**	**$ 11,945,903**	**$ 18,539,331**	$ 14,399,397
Federal grants	**5,909,631**	**-**	**5,909,631**	6,659,649
Contract revenue	**1,272,292**	**-**	**1,272,292**	-
Other	**158,362**	**-**	**158,362**	28,303
Investment (loss) income, net	**(3,267,418)**	**-**	**(3,267,418)**	2,318,144
(Losses) gains from foreign currency exchanges	**(13,718)**	**-**	**(13,718)**	(229,659)
Net assets released from restrictions	**12,627,744**	**(12,627,744)**	**-**	-
Total support and revenue	**23,280,321**	**(681,841)**	**22,598,480**	23,175,834
Expenses:				
Program services:				
Policy	**15,489,743**	**-**	**15,489,743**	14,167,451
Civil society	**9,486,286**	**-**	**9,486,286**	7,959,209
Leadership	**2,479,590**	**-**	**2,479,590**	3,156,869
Support services:				
Management and general	**5,528,229**	**-**	**5,528,229**	5,431,860
Fundraising	**889,855**	**-**	**889,855**	1,044,206
Total expenses	**33,873,703**	**-**	**33,873,703**	31,759,595
Change in net assets before other items	**(10,593,382)**	**(681,841)**	**(11,275,223)**	(8,583,761)
Other items:				
Interest expense and bond issuance amortization	**(281,619)**	**-**	**(281,619)**	(281,398)
Change in swap value	**(946,194)**	**-**	**(946,194)**	(516,666)
Change in net assets	**(11,821,195)**	**(681,841)**	**(12,503,036)**	(9,381,825)
Net assets:				
Beginning	**154,322,657**	**7,751,271**	**162,073,928**	171,455,753
Ending	**$ 142,501,462**	**$ 7,069,430**	**$ 149,570,892**	$ 162,073,928

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 May 31, 2020
(With Comparative Totals for 2019)

	Program Services				Supporting Services			Total	
	Policy	Civil Society	Leadership	Total Program Services	Management and General	Fundraising	Total Supporting Services	2020	2019
Salaries and wages	$ 7,323,448	$ 951,541	$ 973,845	$ 9,248,834	$ 2,668,155	$ 602,275	$ 3,270,430	$ 12,519,264	$ 11,722,819
Grants and other assistance	313,352	7,251,640	87,750	7,652,742	-	-	-	7,652,742	6,156,354
Travel	1,835,029	282,556	884,521	3,002,106	63,045	28,184	91,229	3,093,335	4,394,573
Employee benefits	1,665,333	203,551	162,431	2,031,315	473,189	93,502	566,691	2,598,006	2,190,976
Professional & consulting	1,302,642	225,733	75,705	1,604,080	416,788	16,705	433,493	2,037,573	1,255,947
Office expenses	485,657	68,909	34,056	588,622	1,216,691	30,501	1,247,192	1,835,814	1,460,096
Occupancy and related expenses	1,154,273	124,664	62,620	1,341,557	123,771	48,170	171,941	1,513,498	1,644,628
Payroll taxes	319,574	206,099	60,699	586,372	150,138	32,520	182,658	769,030	433,746
Depreciation	421,227	97,018	63,061	581,306	121,232	15,287	136,519	717,825	716,090
Conferences, conventions and meetings	465,786	43,744	54,148	563,678	24,371	5,897	30,268	593,946	829,151
Accounting fees	54,030	14,130	5,000	73,160	109,061	-	109,061	182,221	160,910
Subscriptions and publications	102,468	5,735	8,160	116,363	-	6,548	6,548	122,911	193,632
Insurance	17,630	160	-	17,790	77,580	-	77,580	95,370	167,387
Other expenses	11,481	5,807	7,358	24,646	37,987	430	38,417	63,063	300,627
Legal expenses	17,810	4,999	236	23,045	26,451	9,836	36,287	59,332	57,051
Interest & finance charges	3	-	-	3	19,770	-	19,770	19,773	75,608
Total operating expenses	15,489,743	9,486,286	2,479,590	27,455,619	5,528,229	889,855	6,418,084	33,873,703	31,759,595
Interest expense and bond issuance amortization	148,986	41,789	29,070	219,845	49,056	12,718	61,774	281,619	281,398
Total expenses after other items	$ 15,638,729	$ 9,528,075	$ 2,508,660	$ 27,675,464	$ 5,577,285	$ 902,573	$ 6,479,858	$ 34,155,322	$ 32,040,993

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

Consolidated Statement of Cash Flows
Year Ended May 31, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ (12,503,036)**	$ (9,381,825)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**717,825**	716,090
Amortization on bond issuance costs	**14,693**	14,693
Net realized and unrealized loss (gain) on investments	**4,675,561**	(870,013)
Unrealized loss on interest rate swap agreement	**946,194**	516,666
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	**(1,742,892)**	3,701,376
Other assets	**(424,769)**	372,978
Increase (decrease) in:		
Accounts payable and accrued expenses	**(533,765)**	(33,206)
Deferred revenue	**(625,953)**	367,713
Grants payable	**331,232**	(522,885)
Net cash used in operating activities	**(9,144,910)**	(5,118,413)
Cash flows from investing activities:		
Purchases of investments	**(7,244,732)**	(29,700,400)
Proceeds from sale of investments	**9,742,181**	29,027,670
Purchases of property and equipment	**(64,855)**	(156,472)
Decrease in restricted cash	**-**	177,136
Net cash provided by (used in) investing activities	**2,432,594**	(652,066)
Cash flows from financing activities:		
Draw on line of credit	**800,000**	-
Net cash provided by financing activities	**800,000**	-
Net decrease in cash and cash equivalents	**(5,912,316)**	(5,770,479)
Cash and cash equivalents:		
Beginning	**9,828,932**	15,599,411
Ending	**$ 3,916,616**	$ 9,828,932
Supplemental disclosure of cash flow information:		
Cash payments for interest	**$ 281,619**	$ 234,825

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 18^{th} 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:

Basis of accounting: The consolidated financial statements are prepared on the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned, and expenses are recognized when incurred.

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 topics of the Codification, Balance Sheet and Income Statement, 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, where by the donor has restricted the funds be maintained in perpetuity.

Cash and cash equivalents: Cash and cash equivalents consist of cash on deposit and repurchase agreements. As of May 31, 2020, GMF maintained $551,558 in foreign bank accounts.

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

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.

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 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. For grants determined to be conditional awards or grants, recognition is made as conditions are met or revenues earned, as applicable. As of May 31, 2020, grants receivable amounted to $7,432,627, all of which are expected to be collected in fiscal year 2021. 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 May 31, 2020.

Investments: Investments are carried at fair value. Fair value of mutual funds and publicly traded equities is determined using quoted market prices. Investment income or loss is included with investment (loss) income, net in the accompanying consolidated financial statements.

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, etc.). 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.

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.

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

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 May 31, 2020.

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 expenses to recipients and corresponding grant payable at the time an unconditional award is committed through a fully executed grant agreement

Revenue recognition: Contribution support is recognized at the time an unconditional promise to give is received. Unconditional contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional contribution revenue is not recognized until conditions have been satisfied.

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.

Grant funds received in advance for agreements determined to be conditional are reported as deferred revenue until the revenue recognition criteria has been met.

GMF’s revenue streams from contracts with customers is comprised of contract revenue on the accompanying consolidated statement of activities. Contract revenue are 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.

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

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 May 31, 2020, 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 May 31, 2020.

According to the accounting standard for uncertainty in income taxes, for the period from GMF's inception to May 31, 2020, 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 in the consolidated statement of activities.

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

GMF files income tax returns in the U.S. federal jurisdiction. As of May 31, 2020, and for the year then ended, there were no material unrecognized/derecognized tax benefits or tax penalties or interest. Generally, GMF is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2017.

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 time spent.

Use of estimates: The preparation of the consolidated financial statements 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of recent accounting pronouncements: In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. This requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 replaces most existing recognition guidance in (U.S. GAAP). The ASU also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. GMF adopted the standard effective for the year ended May 31, 2020, using the modified retrospective method. The adoption of this ASU resulted in contract revenue on the accompanying consolidated statement of activities and additional disclosures in the “Revenue recognition” recognition policy on the previous page.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. GMF adopted the new standard as a resource recipient effective for the year ended May 31, 2020, using the modified prospective method. The adoption resulted in certain transactions which previously would have been unconditional contributions, now being recorded as conditional contributions or exchange transactions under ASU 2014-09. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made to annual periods beginning after December 15, 2019. GMF is in the process of evaluating the impact of this guidance as a resource provider.

Pending accounting pronouncements: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. The ASU is effective for GMF for the year beginning after December 31, 2021. The adoption of this standard is expected to result in GMF’s recognizing right-of-use assets and lease liabilities for some leases currently accounted for as operating leases under legacy lease accounting guidance. Management is evaluating the impact of this standard on its consolidated financial statements.

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

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosures Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The ASU will be effective for all entities for fiscal years beginning after December 15, 2019. Management is evaluating the impact of this new standard on its consolidated financial statements.

Prior year information: The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with GMF's consolidated financial statements for the year ended May 31, 2019, from which the summarized information was derived.

Reclassifications: Certain items in the May 31, 2019, summarized comparative financial information have been reclassified to conform to the May 31, 2020, financial statement presentation. The reclassifications had no effect on the previously reported net assets or change in net assets.

Subsequent events: GMF evaluated subsequent events through October 23, 2020, which is the date 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 twelve-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.

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	$ 3,916,616
Accounts receivable	7,432,627
Investments	135,678,485
Line of credit	1,200,000
Total financial assets available	148,227,728
Less net assets with donor restrictions	7,069,430
Less investments not available for redemption within one year	50,265,116
Less deferred revenue	2,996,772
Financial assets not available to be used for general expenditures	60,331,318
Financial assets available to meet cash needs for general expenditures within 12 months	$ 87,896,410

Note 3. Investments

Investments at May 31, 2020, consist of the following:

Money market mutual funds	$ 68,180
Mutual funds – bonds	2,986,855
Mutual funds – equities	38,076,410
Publicly traded equities	8,651,565
Alternative investments – equity funds	12,269,682
Alternative investments – hedge funds	18,241,776
Alternative investments – natural resources	20,016,314
Alternative investments – private equity	26,676,236
Alternative investments – private debt	5,754,589
Alternative investments – private real estate	2,936,878
	$ 135,678,485

Investment activity for the year ended May 31, 2020, consists of the following:

Realized and unrealized loss on investments	$ (4,675,561)
Interest and dividends	1,639,112
Investment management fees	(230,969)
	$ (3,267,418)

Note 4. Property and Equipment

At May 31, 2020, property and equipment consist of the following:

Building	$ 24,938,769
Furniture and fixtures	3,576,239
Land	1,237,440
	29,752,448
Less accumulated depreciation	(12,006,098)
	$ 17,746,350

Depreciation expense was $717,825 for the year ended May 31, 2020.

Note 5. Bonds Payable and Line of Credit

In April 2016, D.C. 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 May 31, 2020, was $266,926. Under the lender mode credit agreement, GMF is subject to a number of covenants including a requirement to maintain a specified liquidity ratio.

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

As of May 31, 2020, bonds payable consist of the following:

Bonds payable	$ 9,325,867
Less bond issuance costs, net of amortization	(161,617)
	$ 9,164,250

GMF has a line of credit agreement with a bank for $2,000,000 that expires March 30, 2021. At May 31, 2020, the balance payable on the line of credit was $800,000. At May 31, 2020, the interest rate was 1.72%.

Note 6. Interest Rate Swap Contract

GMF has an interest rate swap contract with SunTrust Bank 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 May 31, 2020. 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 0.0245% at May 31, 2020. GMF recognized a loss of $946,194 under this interest rate swap contract for the year ended May 31, 2020. At May 31, 2020, the fair value of the swap contract was a liability of $1,089,437. The swap contract terminates in May 2031.

Note 7. Net Assets With Donor Restrictions

At May 31, 2020, net assets with donor restrictions are available for the following purposes:

Transatlantic policy dialogue	$ 6,691,437
Democracy and civil society	377,993
	$ 7,069,430

A total of $12,627,744 was released from restrictions during the year ended May 31, 2020, 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 May 31, 2020, 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 $479,000 for the year ended May 31, 2020. 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. Investments that are included in this category generally include equity and debt positions in private companies and general and limited GMF interests in private investment funds, real estate funds, debt funds and distressed debt 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 May 31, 2020:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Money market mutual funds	$ 68,180	$ 68,180	$ -	$ -
	68,180	68,180	-	-
Mutual funds:				
Bond:				
Intermediate-term bond	2,986,855	2,986,855	-	-
	2,986,855	2,986,855	-	-
Equity:				
Diversified emerging markets	4,022,957	4,022,957	-	-
Foreign small/mid value	10,111,003	10,111,003	-	-
Large growth	23,942,450	23,942,450	-	-
	38,076,410	38,076,410	-	-
Publicly traded equities:				
Consumer goods	1,542,854	1,542,854	-	-
Foreign equities	3,422,716	3,422,716		
Financial services	319,352	319,352	-	-
Healthcare	302,049	302,049	-	-
Industrials	1,229,763	1,229,763	-	-
Real estate	164,609	164,609	-	-
Technology	1,670,222	1,670,222	-	-
	8,651,565	8,651,565	-	-
	49,783,010	$ 49,783,010	$ -	$ -
Alternative investments valued at net asset value (or equivalent)	85,895,475			
Total investments:	$ 135,678,485			
Liabilities:				
Interest rate swap agreement	$ (1,089,438)	$ -	$ (1,089,438)	$ -
	$ (1,089,438)	$ -	$ (1,089,438)	$ -

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	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equities (a):				
US equity	$ 3,156,488	$ -	Quarterly	90 days
Public equity	4,960,507	-	Monthly	30 days
International equity	4,152,687	-	Monthly	30 days
	12,269,682	-		
Hedge funds (b):				
Absolute return	7,333	-	Annually	65 days
Managed futures	5,873,500	-	Monthly	3 days
Multi-strategy	12,360,943	-	Quarterly	60-65 days
	18,241,776	-		
Natural resources (c):				
Master limited partnership	5,118,901	-	Monthly	30 days
Diversified	4,359,608	8,519	Not applicable	Not applicable
Energy	10,537,805	191,792	Not applicable	Not applicable
	20,016,314	200,311		
Private equity (d):				
Buyout/venture capital	9,419,284	3,308,693	Not applicable	Not applicable
Diversified	13,729,126	7,111,901	Not applicable	Not applicable
Special situations	3,527,826	-	Not applicable	Not applicable
	26,676,236	10,420,594		
Private debt (e):				
Distressed	5,718,433	1,691,285	Not applicable	Not applicable
Mezzanine	36,156	59,375	Not applicable	Not applicable
	5,754,589	1,750,660		
Private real estate (f):	2,936,878	837,340	Not applicable	Not applicable
	$ 85,895,475	$ 13,208,905		

Note 9. Fair Value Measurements (Continued)

Alternative investments are less liquid than the other investments. The following table sets forth additional disclosures of GMF's investments whose fair value is estimated using NAV per share (or its equivalent) at May 31, 2020.

(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. 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 are done through limited partnerships. Investments held in closed-end funds cannot be redeemed at the investor's discretion.

(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 May 31, 2020, 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.

(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.

Note 10. Contingency

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.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a Public Health Emergency of International Concern and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets, including the geographical area and sectors in which GMF operates. Management is continually monitoring the potential additional impact of the pandemic on the GMF.

Note 11. Operating Leases

GMF leases office space in several of its international locations with lease terms expiring over various dates through May 2029.

Total future minimum lease payments under these leases are as follows:

Years ending May 31:	
2021	$ 668,091
2022	680,301
2023	682,561
2024	696,022
2025	413,331
Thereafter	858,578
	$ 3,998,884

Rent expense for the year ended May 31, 2020, was $669,025.

Note 12. Conditional Grants

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 May 31, 2020, the following are conditional contributions by funder:

Funder	Total Conditional Grants	Amount Earned through 2020	Amount Left to Earn
Cash grants from U.S. Government	$ 26,942,326	$ 13,134,864	$ 13,807,462
Cash grants from Other Donors	25,790,810	12,387,358	13,403,452
	$ 52,733,136	$ 25,522,222	$ 27,210,914