

REPRESENTATIVE OF GERMAN BUSINESS
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

REPRESENTATIVE OF GERMAN BUSINESS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Representative of German Business

Opinion

We have audited the accompanying financial statements of Representative of German Business (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022 and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Representative of German Business as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note B to the financial statements, the Delegation adopted Accounting Standards Update No. 2016-03, Financial Instruments - Credit Losses (Topic 326), or CECL on January 1, 2023. Our opinion is not modified with respect to that matter.

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 Representative of German Business ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

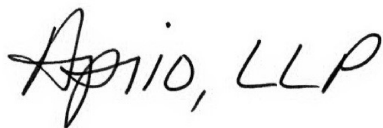
Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 Representative of German Business 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 Representative of German Business' ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink that reads "Aprio, LLP". The signature is stylized, with the first letter 'A' being large and the rest of the name in a cursive script.

Birmingham, Alabama
June 5, 2024

**REPRESENTATIVE OF GERMAN BUSINESS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets		
Cash	\$ 719,527	\$ 1,008,833
Accounts receivable, net	271,265	242,169
Prepaid expenses and other assets	<u>11,663</u>	<u>10,493</u>
Total current assets	<u>1,002,455</u>	<u>1,261,495</u>
 Property and equipment, net	 <u>28,266</u>	 <u>35,937</u>
Other assets		
Security deposits	83,000	83,000
Right of use asset - leases, net	<u>1,135,533</u>	<u>1,501,291</u>
Total other assets	<u>1,218,533</u>	<u>1,584,291</u>
 Total assets	 <u><u>\$ 2,249,254</u></u>	 <u><u>\$ 2,881,723</u></u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accrued salaries and benefits	\$ 274,795	\$ 166,348
Account payable, accrued expenses and other liabilities	337,300	203,675
Refundable governmental subsidy	41,143	499,875
Deferred revenue	6,269	91,917
Lease liabilities, current	<u>397,373</u>	<u>373,354</u>
Total current liabilities	1,056,880	1,335,169
 Lease liabilities, long-term	 <u>832,530</u>	 <u>1,230,004</u>
Total liabilities	1,889,410	2,565,173
 Net assets without donor restrictions	 <u>359,844</u>	 <u>316,550</u>
 Total liabilities and net assets	 <u><u>\$ 2,249,254</u></u>	 <u><u>\$ 2,881,723</u></u>

See notes to the financial statements

**REPRESENTATIVE OF GERMAN BUSINESS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Operating revenue		
Federal Ministry for Economic Affairs and Energy - subsidy	\$ 1,047,599	\$ 1,060,723
Association of German Chambers of Industry and Commerce - subsidy	<u>257,433</u>	<u>258,547</u>
Net subsidy received	1,305,032	1,319,270
Government-sponsored projects	1,165,245	662,312
Business consulting - office representation	114,650	93,447
Landing platform	229,840	179,952
Membership events	13,710	5,505
Membership fees	13,240	12,150
Start-up service	-	83,888
Sublease income	326,647	327,646
Miscellaneous	<u>78,914</u>	<u>37,473</u>
Total operating revenue	<u>3,247,278</u>	<u>2,721,643</u>
Operating expenses		
Employee compensation	1,558,050	1,456,650
Occupancy - office space	452,693	445,929
Project costs	421,950	222,301
Employee fringe benefits	308,179	126,980
Professional fees	207,722	238,556
Payroll taxes	98,068	117,840
Travel and transportation	42,923	38,184
Depreciation	27,755	26,973
Telephone and internet	16,129	15,918
Provision for credit losses	13,000	-
Office insurance	12,026	13,347
Conventions and promotions	8,260	16,876
Auto expense	6,359	5,705
Office supplies	5,954	3,962
Entertainment	4,394	3,736
Bank charges	2,797	5,494
Postage and cables	558	837
Miscellaneous	<u>53,953</u>	<u>52,370</u>
Total expenses	<u>3,240,770</u>	<u>2,791,658</u>
Change in net assets before nonoperating activities	<u>6,508</u>	<u>(70,015)</u>
Nonoperating activities		
Net gain (loss) on foreign currency transactions	36,786	(31,468)
Forgiveness of debt - PPP loan	<u>-</u>	<u>183,199</u>
	<u>36,786</u>	<u>151,731</u>
Change in net assets without donor restrictions	<u>\$ 43,294</u>	<u>\$ 81,716</u>

See notes to the financial statements

**REPRESENTATIVE OF GERMAN BUSINESS
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	(As Adjusted) <u>2022</u>
Net assets without donor restrictions, beginning	\$ 316,550	\$ 246,834
Cumulative effect of accounting standards adoption - Credit losses	-	(12,000)
Change in net assets without donor restrictions	<u>43,294</u>	<u>81,716</u>
Net assets without donor restrictions, ending	\$ <u>359,844</u>	\$ <u>316,550</u>

See notes to the financial statements

**REPRESENTATIVE OF GERMAN BUSINESS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating Activities		
Change in net assets	\$ <u>43,294</u>	\$ <u>81,716</u>
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	27,755	26,973
Amortization of right of use asset	365,758	354,902
Forgiveness of debt - PPP loan	-	(183,200)
Provision for credit losses	13,000	-
Changes in operating assets and liabilities:		
Accounts receivable	(42,096)	116,980
Prepaid expenses and other current assets	(1,170)	11,758
Accrued salaries and benefits	108,447	(9,081)
Accounts payable, accrued expenses and other liabilities	133,625	61,412
Refundable governmental subsidy	(458,732)	(199,034)
Deferred revenue	(85,648)	62,738
Lease liabilities	<u>(373,455)</u>	<u>(350,402)</u>
Total adjustments	<u>(312,516)</u>	<u>(106,954)</u>
Net cash used in operating activities	<u>(269,222)</u>	<u>(25,238)</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(20,084)</u>	<u>(4,577)</u>
Net cash used in investing activities	<u>(20,084)</u>	<u>(4,577)</u>
Net change in cash and cash equivalents	(289,306)	(29,815)
Cash, beginning of year	<u>1,008,833</u>	<u>1,038,648</u>
Cash, end of year	<u>\$ 719,527</u>	<u>\$ 1,008,833</u>
Supplemental Disclosure of Non-Cash Information:		
Leased assets obtained in exchange for new operating lease liabilities, net of prior deferred rent liability	\$ <u>-</u>	\$ <u>1,856,193</u>

See notes to the financial statements

REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

Note A

Description of the Organization

The Representative of German Business (the Delegation or RGB) is incorporated under the laws of the State of California on March 21, 2018, and commenced its operations on March 22, 2018, with its headquarters in San Francisco, California. Its purpose is to support, promote and maximize trade and investment relationships between the Federal Republic of Germany and the United States of America.

The Delegation receives substantial financial support (in the form of subsidies) from Bundesministerium für Wirtschaft und Klimaschutz (BMWK or the Federal Ministry for Economic Affairs and Climate Action) and from the Deutscher Industrie - und Handelskammertag (DIHK or the Association of German Chambers of Industry and Commerce), an affiliated organization, and is accountable to BMWK and DIHK through submission of annual reports and budgets.

Note B

Summary of Significant Accounting Policies

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation:

The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the Delegation is required to report information regarding its financial position and activities according to the following net asset classifications: net assets without donor restrictions and net assets with donor restrictions. The Delegation has no net assets with donor restrictions.

Recently Adopted Accounting Guidance:

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses (Topic 326), or CECL, which prescribes an impairment model for most financial instruments based on expected losses rather than incurred losses. Under this model, an estimate of expected credit losses over the contractual life of the instrument is to be recorded as of the end of a reporting period as an allowance to offset the amortized cost basis, resulting in a net presentation of the amount expected to be collected on the financial instrument. For most instruments, entities must apply the standard using a cumulative-effect adjustment to beginning retained earnings as of the beginning of the fiscal year of adoption.

The Delegation adopted CECL effective January 1, 2023, using the required modified retrospective approach, which resulted in a cumulative-effect decrease to beginning retained earnings of \$12,000. Financial assets and liabilities held by the Delegation subject to the "expected credit loss" model prescribed by CECL include accounts receivable.

**REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

Note B

Summary of Significant Accounting Policies (Continued)

Leases:

The Delegation adopted Accounting Standards Update No. 2016-02, Leases (Topic 842) effective January 1, 2023, with all the available practical expedients, retrospectively at the beginning of the period of adoption. There was no retained earnings impact on the adoption of ASC 842. The Delegation recognizes and measures its leases in accordance with ASC 842 Leases. The Delegation determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Delegation recognizes a lease liability and a right of use (ROU) asset at the commencement date of each lease. The lease liability is initially and subsequently recognized based on the present value of the contract's future lease payments.

Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate, if it is readily determinable, or the Delegation's incremental borrowing rate. The Delegation's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The Delegation has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Delegation is reasonably certain to exercise. The Delegation recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term. When contracts contain lease and non-lease components, the Delegation accounts for both components as a single lease component.

Governmental Grants:

The Delegation recognizes revenue received from BMWK, DIHK and other Germany governmental agencies in accordance with ASC, Not-For-Profit Entities (Topic 958).

Subsidies from BMWK and DIHK: The Delegation receives periodic subsidy payments from BMWK and DIHK throughout the year. Revenues from such subsidies are recognized when underlying conditions have been fulfilled (i.e., expenses incurred or services provided). These revenues are for the financial support of the Delegation in the fulfillment of its duties during the year, which include a platform for representing the Federal Republic of Germany and its foreign trade activities. Any portion of the subsidy payments received that is not earned as of December 31 is reported as refundable governmental subsidy.

During 2020, the Delegation received an additional conditional subsidy in an amount of \$546,273 from the Außenhandelskammer (AHK or German Chambers of Commerce Abroad) rescue funding program from BMWK and DIHK. This subsidy was to support the Delegation during the COVID-19 pandemic. Under the terms of this additional funding, the Delegation was required to return 100% of its surplus achieved in 2020 to BMWK and DIHK.

**REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

Note B

Summary of Significant Accounting Policies (Continued)

During 2021, the Delegation received an additional conditional subsidy in an amount of \$216,048 (\$108,009 from DIHK and \$108,009 from BMWK) from an AHK rescue funding program from BMWK and DIHK. To the extent that funds granted for 2021 from the AHK rescue funding program are not needed in 2021, meaning the Delegation achieved a surplus in 2021, this surplus is to be repaid 50:50 to the BMWK and DIHK, up to the amount of the funds granted from the AHK rescue funding program in 2021. Any surplus in 2021, after the additional conditional subsidy from the rescue funding program in 2021 is repaid, will be returned. One-third flows into the Delegation's net assets without donor restrictions as well as one-third to the DIHK and one-third to the BMWK up to the amount of the funds granted from the rescue fund in 2020.

If the funds granted from the additional conditional subsidies in 2020 and 2021 haven't been paid back in full, the Delegation is required between 2022 and 2025 to return one-third of any achieved annual surplus to the DIHK, one-third to the BMWK and one-third flows into the Delegation's net assets without donor restrictions. In accordance with the condition of the additional subsidy, the last payment will be made in 2026 based on the result of the 2025 special-purpose report. The surplus is determined through the annual report submitted to BMWK/DIHK, which is prepared based on a modified-GAAP accounting method. Any remaining subsidy balance after the required returns will be recognized as revenue as the conditions are met. The refundable governmental subsidy balance as of December 31, 2023 and 2022 was \$41,143 and \$499,875, respectively.

Governmental-sponsored projects: The Delegation receives grants from Germany governmental agencies such as the Federal Office of Economics and Export Control (BAFA) and BMWK to implement projects related to Energy Export Initiative and Market Development, for example. The direct beneficiaries of these governmental-sponsored projects are the general public. The revenue for these grants is recognized when the conditions are met (i.e. phases of the projects are completed).

Revenue Recognition:

The Delegation recognizes revenue, other than governmental grants, in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers is as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Delegation supports German American companies by facilitating the following: market entry and business development, and startup guidance, etc. Customer contracts generally are standardized and non-cancelable for the duration of the contract term.

**REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

Note B

Summary of Significant Accounting Policies (Continued)

Contract liabilities consist of deferred revenue resulting from fees collected from customers in advance of performance obligations. Contract liabilities are classified as deferred revenue on the statement of activities. Deferred revenue totaled \$6,269, \$91,917 and \$29,179 as of December 31, 2023, 2022 and 2021, respectively.

The Revenue sources that are accounted for as exchange transactions are described in the following paragraphs:

Business Consulting - Office Representation: Office representation services include the establishment of a virtual office for a customer by providing a mailing address and phone number for German companies doing business in the U.S. The service fees are a fixed rate per quarter. The fixed fee is evenly recognized over each quarter as the customer consumes the benefits of the services the Delegation performs. The customer is billed four times a year at the beginning of each quarter, with net-30-days term. Therefore, the entire amount billed is recognized before yearend and does not have to be deferred.

Delegations: The Delegation offers various programs in the form of delegation visits targeted at facilitating market entry of German companies into the U.S. market. The program usually consists of three different phases: target-market-analysis, regional workshops and conferences, and individual business partner match. Each phase is considered a distinct performance obligation. Revenue is recognized at a point in time upon completion of the different phases of the project. The transaction price for certain phases is determined by the number of hours worked multiply by an agreed upon hourly rates. A customer is billed at the completion of each phase of a project, with net 30-days-term. As of December 31, 2023 and 2022, the entire amount billed is recognized before yearend and therefore does not have to be deferred.

Landing Platform: The Delegation performs various tasks related to innovation including providing information on current U.S. economic trends to the German state, organizing innovation events for companies, serves as advisors for companies seeking entry into the U.S. market. Revenue is recognized at a point in time upon completion of the different phases of the projects. As of December 31, 2023 and 2022, the entire amount billed is recognized before yearend and therefore does not have to be deferred.

Membership Fees: Membership fee revenue is recognized over time as a member simultaneously receives and consumes the benefits of membership throughout the subscription period. The timing of revenue recognition is based on a time-based measure of progress as the Delegation provides benefits evenly over the course of the membership period. The member is billed at the beginning of the dues period which is the same as the Delegation's fiscal year, with net-30-days-term.

Start-Up Service: The Chamber hosts workshops for young companies and entrepreneurs to prepare them to start a business in the U.S. A customer simultaneously receives and consumes the benefit as the workshop is delivered. Revenue is recognized over time. Payment is due upon registration for the workshop. The Chamber recognizes deferred revenue for services not yet performed.

All of the Delegation's revenue is recognized over time.

**REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

Note B

Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risks Arising from Cash Deposits in Excess of Insured Limits:

The Delegation maintains a cash balance at one U.S commercial bank, the balance can exceed the Federal Deposit Insurance Corporation (FDIC) insured deposit limit of \$250,000 per financial institution. The Delegation also maintains a cash balance at one German commercial bank, the balance can exceed the Deposit Guarantee Act (Einlagensicherungsgesetz) insured deposit limit of 100,000 EUR per financial institution. At December 31, 2023 and 2022, the Company's cash balances held at the commercial banks exceeded the insured limits by approximately \$358,000 and \$651,000, respectively. The Delegation has not experienced any losses through the date when the financial statements were available to be issued.

Accounts Receivable:

Accounts receivable primarily results from memberships and other services. Receivables are recorded at the time of billing. As a result of the adoption of ASU No. 2016-13, *Financial Instruments - Credit Losses*, the Company changed its accounting policy for allowance for credit losses.

The Delegation monitors trade and other receivable balances and contract assets and estimates the allowance for lifetime expected credit losses. Estimates of expected credit losses are based on historical collection experience and other factors, including current market factors and forecasted economic conditions.

The activity in the allowance for credit losses for each period, include the following:

Allowance for credit losses - beginning balance	\$ -
Cumulative effect of accounting standards upon adoption	12,000
Current provision for expected credit losses	13,000
Write-offs charged against allowance	-
Recoveries of amounts previously written off	-
Allowance for credit losses - ending balance	<u>\$ 25,000</u>

Accounts receivable totaled \$296,265, \$254,169 and \$371,149 as of December 31, 2023, 2022 and 2021, respectively.

Property and Equipment:

Property and equipment are carried at cost, less accumulated depreciation. The Delegation capitalizes all property and equipment over \$600. Depreciation of software, furniture and equipment is computed using the straight-line method over three years for equipment and software and five years for furniture, representing the estimated useful lives of the assets. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the asset, whichever is shorter.

**REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

Note B

Summary of Significant Accounting Policies (Continued)

PPP Loan:

In April 2021, the Delegation received \$183,199 in funding from the U.S. Small Business Administrations (SBA) under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act. The loans, or a portion thereof, are eligible for forgiveness by the SBA if the qualifying entity meets certain conditions. The Delegation elected to account for the PPP loan as a financial liability in accordance with ASC 470, *Debt*. The Delegation's loan was forgiven in full on March 9, 2022. The Delegation recognized the full amount into income in 2022.

Foreign Currency Transactions:

The Delegation records revenues and expenses at the spot rate at the date of the transaction. Balances held in German banks and accounts receivable related to invoices stating euro amounts at December 31 are translated into U.S. dollars at the exchange rate prevailing at December 31 and the resulting net gains or losses are recognized in the accompanying statements of activities as nonoperating activities.

Use of Estimates:

The preparation of the financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes:

The Internal Revenue Service has determined that the Delegation is exempt from federal income tax under Section 501(c)(6) of the IRC and from state and local income taxes under comparable laws. The Delegation is subject to unrelated business income tax (UBIT), if applicable. There was no UBIT for the years ended December 31, 2023 and 2022. Management has evaluated the Delegation's tax positions for all open tax years and has concluded that the Delegation had taken no uncertain tax positions that require adjustments or disclosures to the financial statements.

**REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

Note C

Liquidity and Availability

The Delegation's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of December 31:

	<u>2023</u>	<u>2022</u>
Financial assets at December 31:		
Cash and cash equivalents	\$ 719,527	\$ 1,008,833
Accounts receivable, net	<u>271,265</u>	<u>242,169</u>
Total financial assets at December 31	<u>\$ 990,792</u>	<u>\$ 1,251,002</u>

The Delegation's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity management plan, the Delegation prepares an annual budget to forecast its financials for the upcoming year. Based on the budget, which is submitted to DIHK and BMWK, the Delegation receives subsidies. The subsidies cover operating expenses not covered by other revenue sources. Once approved by DIHK and BMWK, the Delegation receives the subsidies in installments throughout the year.

Note D

Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 81,864	\$ 79,121
Software	77,071	62,475
Leasehold improvements	<u>33,026</u>	<u>33,026</u>
Total	191,961	174,622
Accumulated depreciation and amortization	<u>(163,695)</u>	<u>(138,685)</u>
	<u>\$ 28,266</u>	<u>\$ 35,937</u>

Note E

Employee Benefit Plan

The Delegation's employees are participating in the Delegation's defined contribution benefit plan covering substantially all employees meeting certain age and length-of-service requirements. Discretionary contributions are made to participant accounts annually in an amount up to 10% of salaries and wages. The Delegation's related expenses for the years ended December 31, 2023 and 2022, included in employee fringe benefits in the statements of activities, totaled \$27,881 and \$0, respectively.

**REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

Note F
Leases

The Delegation has an obligation as a lessee for office space in San Francisco, California. The lease is classified as an operating lease. Payments due under the lease contract are fixed payments.

The Delegation subleases a portion of its office to six entities, including subsidiaries of the New York Chamber (see Note H). The subleases include monthly payments ranging from approximately \$2,000 to \$6,000 and expire starting in 2024 through 2026.

The components of the lease for the years ending December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 407,755	\$ 407,755
Sublease income	\$ 326,647	\$ 327,646
Cash paid for amounts included in the measurement of the lease liability - operating lease	\$ 415,352	\$ 403,256
Weighted-average remaining lease term - operating lease	2.83	3.83
Weighted-average discount rate - operating lease	3.00 %	3.00 %

Maturities of the lease liability under the noncancelable operating lease as of December 31, 2023, are as follows:

<u>Year Ending December 31</u>	<u>Total Lease Payments</u>
2024	\$ 427,812
2025	440,648
2026	<u>415,197</u>
Total undiscounted lease payments	1,283,657
Less: imputed interest	<u>(53,754)</u>
Total lease liability	\$ <u>1,229,903</u>

Note G
Functional Classification of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated among program and supporting service classifications are primarily on the basis of employees' time and effort determined by management. The expenses that are allocated include certain employees' compensation, payroll taxes, employee fringe benefits, occupancy, convention and promotion, postage and cables, office supplies, entertainment, library, car expense, entertainment, telephone and depreciation. Travel and transportation expense is allocated based on estimated usage for different functions.

**REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

Note G

Functional Classification of Expenses (Continued)

The functional classification of the Delegation's expenses is as follows for the years ended December 31:

	2023			
	Program Services	Management and General	Membership Development	Total
Employee compensation	\$ 1,266,448	\$ 185,896	\$ 105,706	\$ 1,558,050
Occupancy - office space	248,981	158,443	45,269	452,693
Project costs	421,950	-	-	421,950
Employee fringe benefits	269,099	21,638	17,442	308,179
Professional fees	-	207,722	-	207,722
Payroll taxes	79,243	11,051	7,774	98,068
Travel and transportation	37,903	5,020	-	42,923
Depreciation and amortization	18,041	9,714	-	27,755
Telephone	8,871	5,645	1,613	16,129
Provision for credit losses	13,000	-	-	13,000
Office insurance	-	12,026	-	12,026
Conventions and promotions	7,434	-	826	8,260
Auto expense	3,180	3,179	-	6,359
Office supplies	3,275	2,084	595	5,954
Entertainment	2,856	1,538	-	4,394
Bank charges	2,797	-	-	2,797
Postage and cables	307	195	56	558
Miscellaneous	109	53,844	-	53,953
	<u>\$ 2,383,494</u>	<u>\$ 677,995</u>	<u>\$ 179,281</u>	<u>\$ 3,240,770</u>

**REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

Note G

Functional Classification of Expenses (Continued)

	2022			
	Program Services	Management and General	Membership Development	Total
Employee compensation	\$ 1,222,617	\$ 144,336	\$ 89,697	\$ 1,456,650
Occupancy - office space	263,098	156,075	26,756	445,929
Professional fees	-	238,556	-	238,556
Project costs	222,301	-	-	222,301
Employee fringe benefits	91,072	21,341	14,567	126,980
Payroll taxes	99,737	11,316	6,787	117,840
Travel and transportation	26,450	11,735	-	38,185
Depreciation and amortization	17,532	9,441	-	26,973
Conventions and promotions	15,863	-	1,013	16,876
Telephone	9,392	5,571	955	15,918
Office insurance	-	13,347	-	13,347
Auto expense	2,853	2,852	-	5,705
Bank charges	5,494	-	-	5,494
Office supplies	2,338	1,387	237	3,962
Entertainment	2,428	1,308	-	3,736
Postage and cables	494	293	50	837
Miscellaneous	388	51,981	-	52,369
	<u>\$ 1,982,057</u>	<u>\$ 669,539</u>	<u>\$ 140,062</u>	<u>\$ 2,791,658</u>

Note H

Related Party Transactions

The Delegation provides certain administrative services to other German American Chambers in the U.S. including the New York Chamber, German American Chamber of Commerce of the Southern U.S., Inc., and German American Chamber of Commerce of Midwest, Inc. These entities are independent from the Delegation and are also reporting to the DIHK. The revenue recognized, excluding sublease income below, from these members in 2023 and 2022 was approximately \$39,000 and \$108,000, respectively. Accounts receivable from other related chambers as of December 31, 2023 and 2022, was approximately \$58,000 and \$54,000, respectively.

Accounts payable to other related chambers as of December 31, 2023 and 2022, was approximately \$83,000 and \$14,000, respectively.

The Delegation subleases a portion of its office to subsidiaries of the New York Chamber. Total sublease income recognized was approximately \$187,000 and \$188,000 for the years ended December 31, 2023 and 2022, respectively.

**REPRESENTATIVE OF GERMAN BUSINESS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

Note I
Concentrations

Significant Customer:

A significant customer is defined as one from whom at least 10% of annual revenue is derived. The Delegation had revenues from one source totaling \$1,053,549, which comprised approximately 32% of annual revenues for the year ended December 31, 2023. The Delegation had revenues from one source totaling \$1,060,723, which comprised approximately 37% of annual revenues for the year ended December 31, 2022.

Note J
Evaluation of Subsequent Events

The Delegation evaluated subsequent events occurring after the date of the financial statements to consider whether or not the effect of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation was performed through June 5, 2024, which was the date these financial statements were available to be issued.