AMERICAN ALLIANCE OF MUSEUMS

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

AMERICAN ALLIANCE OF MUSEUMS
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
American Alliance of Museums
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of American Association of Museums dba: American Alliance of Museums (the Alliance), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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.

Board of Directors
American Alliance of Museums

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Alliance of Museums as of December 31, 2019 and 2018, 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.

Report on Summarized Comparative Information

We have previously audited American Alliance of Museums' 2018 financial statements, and our report dated May 10, 2019, expressed an unmodified opinion of those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Change in Accounting Principles

As discussed in Note 1 to the financial statements, American Alliance of Museums has adopted Accounting Standards Update (ASU) No. 2015-14, *Revenue from Contracts with Customers*, and ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
June 15, 2020

AMERICAN ALLIANCE OF MUSEUMS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018)

	2019	2018
ASSETS		
Cash and Cash Equivalents	$ 2,984,236	$ 2,383,716
Accounts Receivable, Net of Allowance for Doubtful Accounts of $13,265 and $34,431, Respectively	70,772	55,553
Pledges Receivable	1,458,749	1,983,856
Grants and Contracts Receivable	177,693	282,603
Inventory	50,594	55,208
Prepaid Expenses and Deposits	358,419	315,652
Investments	4,421,152	3,751,703
Property and Equipment, Net	1,288,983	1,542,029
Total Assets	$ 10,810,598	$ 10,370,320
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 588,071	$ 393,637
Deferred Revenue	3,134,472	2,727,681
Funds Held on Behalf of Others	39,136	39,136
Deferred Rent and Leasehold Incentive Liability	1,562,063	1,562,397
Total Liabilities	5,323,742	4,722,851
NET ASSETS		
Without Donor Restrictions:		
Undesignated	1,644,797	996,147
Board Designated	109,623	63,979
Total Net Assets Without Donor Restrictions	1,754,420	1,060,126
With Donor Restrictions:		
Purpose and Time Restricted	3,461,121	4,316,329
Donor Restricted Endowment Fund	271,315	271,014
Total Net Assets With Donor Restrictions	3,732,436	4,587,343
Total Net Assets	5,486,856	5,647,469
Total Liabilities and Net Assets	$ 10,810,598	$ 10,370,320

See accompanying Notes to Financial Statements.

AMERICAN ALLIANCE OF MUSEUMS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
REVENUE AND SUPPORT				
Membership Dues	$ 3,632,148	$ -	$ 3,632,148	$ 3,393,288
Contributions and Sponsorships	144,099	1,304,517	1,448,616	4,744,845
Exhibit and Other Fees	1,269,285	-	1,269,285	1,333,818
Registrations	1,551,434	-	1,551,434	1,233,061
Grants and Contracts	301,892	-	301,892	446,078
Advertising Income	642,524	-	642,524	626,732
Accreditation Fees	340,095	-	340,095	323,600
Royalties	53,359	-	53,359	124,728
Publication Sales	93,907	-	93,907	95,894
Other	53,116	-	53,116	74,075
Subscriptions	42,937	-	42,937	40,514
Appropriation of Accumulated Earnings	-	33,192	33,192	35,242
Net Assets Released from Restrictions:				
Released from Purpose Restrictions	1,602,700	(1,602,700)	-	-
Released from Time Restrictions	620,875	(620,875)	-	-
Total Revenue and Support	10,348,371	(885,866)	9,462,505	12,471,875
EXPENSES				
Program Services:				
Field-Wide Services	2,620,172	-	2,620,172	1,241,009
Meetings and Professional Education	3,492,315	-	3,492,315	3,603,919
Membership	770,151	-	770,151	760,730
Publications and Business Enterprises	902,879	-	902,879	854,224
Advocacy	536,229	-	536,229	586,094
Center for the Future of Museums	285,453	-	285,453	436,029
Total Program Services	8,607,199	-	8,607,199	7,482,005
Supporting Services:				
Management and General	940,893	-	940,893	821,456
Development and Fundraising	745,262	-	745,262	642,012
Total Supporting Services	1,686,155	-	1,686,155	1,463,468
Total Expenses	10,293,354	-	10,293,354	8,945,473
Change in Net Assets Before Other Items	55,017	(885,866)	(830,849)	3,526,402
OTHER ITEMS				
Investment Income (Loss), Net	639,277	64,151	703,428	(165,886)
Appropriation of Accumulated Earnings	-	(33,192)	(33,192)	(35,242)
Total Other Items	639,277	30,959	670,236	(201,128)
CHANGE IN NET ASSETS	694,294	(854,907)	(160,613)	3,325,274
Net Assets - Beginning of Year	1,060,126	4,587,343	5,647,469	2,322,195
NET ASSETS - END OF YEAR	$ 1,754,420	$ 3,732,436	$ 5,486,856	$ 5,647,469

See accompanying Notes to Financial Statements.

AMERICAN ALLIANCE OF MUSEUMS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	Program Services							Supporting Services				
	Field-Wide Services	Meetings and Professional Education	Membership	Publications and Business Enterprises	Advocacy	Center for the Future of Museums	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	2019 Total	2018 Total
Salaries	$ 608,047	$ 825,754	$ 385,244	$ 190,413	$ 235,614	$ 162,911	$ 2,407,983	$ 1,247,858	$ 473,632	$ 1,721,490	$ 4,129,473	$ 4,250,532
Contractors	902,168	678,345	27,502	338,935	37,495	38,059	2,022,504	541,980	37,145	579,125	2,601,629	1,277,463
Occupancy	8,367	110,000	-	-	500	-	118,867	747,664	-	747,664	866,531	891,187
Travel	194,466	129,969	15,561	17	3,453	796	344,262	26,619	33,608	60,227	404,489	374,235
Food and Beverage	73,054	438,924	2,957	85	67,912	1,018	583,950	7,869	24	7,893	591,843	491,327
Printing, Postage, and Freight	14,633	19,848	102,493	106,925	4,961	5,230	254,090	14,505	2,278	16,783	270,873	268,435
Supplies, Equipment, and Equipment Rental	7,681	346,063	15,495	505	19,368	1,436	390,548	39,764	712	40,476	431,024	367,489
Depreciation and Amortization	-	-	-	-	-	-	-	295,813	-	295,813	295,813	319,030
Bank Fees	-	249	-	1,762	-	-	2,011	389,421	-	389,421	391,432	282,883
Other Expenses	140,999	39	28,055	50	-	5,059	174,202	(155,884)	10,137	(145,747)	28,455	86,287
Communications	188	27,947	771	24,229	434	103	53,672	54,270	-	54,270	107,942	135,091
Cost of Goods Sold	-	-	-	10,150	-	-	10,150	-	-	-	10,150	14,680
Professional Development	200	579	1,025	5,834	33,472	30	41,140	21,466	2,851	24,317	65,457	78,182
Scholarships and Awards	15,500	37,280	-	-	-	-	52,780	1,000	-	1,000	53,780	69,550
Insurance	4,893	10,993	-	-	-	-	15,886	28,577	-	28,577	44,463	39,102
Total Expenses Prior to Allocation	1,970,196	2,625,990	579,103	678,905	403,209	214,642	6,472,045	3,260,922	560,387	3,821,309	10,293,354	8,945,473
Allocation of Management and General Expense	649,976	866,325	191,048	223,974	133,020	70,811	2,135,154	(2,320,029)	184,875	(2,135,154)	-	-
Total Expenses After Allocation	$ 2,620,172	$ 3,492,315	$ 770,151	$ 902,879	$ 536,229	$ 285,453	$ 8,607,199	$ 940,893	$ 745,262	$ 1,686,155	$ 10,293,354	$ 8,945,473

See accompanying Notes to Financial Statements.

AMERICAN ALLIANCE OF MUSEUMS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (160,613)	$ 3,325,274
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	295,813	319,030
Allowance for Inventory Obsolescence	-	268
Net Realized Gains on Sales of Investments	(236,933)	(414,440)
Net Unrealized (Gain) Loss on Investments	(368,105)	642,989
(Increase) Decrease in Assets:		
Accounts Receivable, Net	(15,219)	124,257
Pledges Receivable	525,107	(1,727,356)
Grants and Contracts Receivable	104,910	(177,141)
Inventory	4,614	13,213
Prepaid Expenses and Deposits	(42,767)	(116,211)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	194,434	(2,889)
Deferred Revenue	406,791	252,498
Deferred Rent and Leasehold Incentive Liability	(334)	23,593
Net Cash Provided by Operating Activities	707,698	2,263,085
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(42,767)	(143,408)
Proceeds from Sales of Investments	3,870,467	749,070
Purchases of Investments	(3,934,878)	(1,019,403)
Net Cash Used by Investing Activities	(107,178)	(413,741)
NET CHANGE IN CASH AND CASH EQUIVALENTS	600,520	1,849,344
Cash and Cash Equivalents - Beginning of Year	2,383,716	534,372
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,984,236	$ 2,383,716
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Taxes Paid	$ 179,362	$ 68,139

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The American Association of Museums, rebranded in September 2012, is now doing business as the American Alliance of Museums (the Alliance). The Alliance is a nonprofit organization headquartered in Arlington, Virginia. The mission of the Alliance is to nurture excellence in partnership with our members and allies. Through advocacy, resources, and service to museum professionals, the Alliance accomplishes this mission through professional development, publications on current museum administration topics, programs that are established to address concerns specific to museums, establishing and maintaining professional standards for museums through its Continuum of Excellence program, and keeping the museum community informed of current museum issues through its government affairs and media relations programs.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. As such, revenues are recognized when earned and expenses are recognized when the underlying obligations are incurred.

Cash and Cash Equivalents

The Alliance considers all demand deposits and money market funds that are not part of the Alliance's investment portfolio, as well as certificates of deposit purchased with original maturity dates of 90 days or less, to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consist of amounts due to the Alliance from the sale of its publications and associated advertising, as well as the sale of member products. The Alliance's management periodically reviews the status of all account receivable balances for collectability and generally records an allowance for doubtful accounts equal to unpaid customer balances greater than 90 days old.

Pledges Receivable

Pledges receivable consist primarily of supporting contributions pledged by members and sponsors who are geographically located in the host city of the Alliance's upcoming annual meeting, and/or commit to fund an Alliance major program or activity. Pledges receivable are recognized in the period in which they are promised at their net realizable value.

Inventory

Inventory consists of publications held for sale through the Alliance's bookstore and is valued at the lower of cost (first-in, first-out basis) or net realizable value. Items that are deemed nonsalable are charged to the allowance for obsolescence in the period deemed nonsalable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are composed of money market funds, equity and fixed-income mutual funds and are recorded in the financial statements at fair value, with gains and losses included in the accompanying statements of activities. Fair value is the price that would be received to sell an asset or liability through an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Unrealized gains or losses are determined by a comparison of fair value at the beginning and end of the year.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. The Alliance capitalizes expenditures for property and equipment in excess of $5,000. Lesser amounts are expensed in the year of acquisition. Depreciation and amortization are recorded using the straight-line method in amounts related to the cost of the depreciable assets over their estimated useful lives. Software has an estimated useful life of five to seven years, and furniture and equipment have estimated useful lives of three to ten years. Leasehold improvements are amortized over the remaining life of the office lease. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed as incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation and amortization are eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue and support or expenses in the accompanying statement of activities.

Funds Held on Behalf of Others

The Alliance holds a security deposit in accordance with its office subleasing agreement that is recorded as funds held on behalf of others in the accompanying statements of financial position.

Classification of Net Assets

The net assets of the Alliance are reported as follows:

Net Assets Without Donor Restrictions – Represents the portion of expendable funds that are available for support of the Alliance's operations. Net assets without donor restrictions also include assets that have been designated by the Board of Directors as a quasi-endowment. The Alliance's designated funds represent funds that are subject to purpose restrictions established by the Board of Directors. The investment income associated with these funds may be used as designated by the Board of Directors. Historically, the board-designated funds have been used in varying degrees and in varying amounts for the accreditation program and for certain fellowships.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Net Assets With Donor Restrictions – Represent amounts that are used for a particular purpose or within a specific time period as specified by donors, and they represent resources that are to be held in perpetuity by the Alliance, as stipulated by donors, with only the investment earnings to be expended for the purposes designated by the donor.

Revenue Recognition

Membership Dues – Membership benefits are considered as one set of bundled service as these benefits are not offered on a standalone basis. Membership dues are considered an exchange transaction, but the revenue is recognized ratably since the performance obligations are satisfied throughout the membership period as member benefits are received and consumed simultaneously during the same period. Membership dues are recorded as deferred revenue and span over the period of a membership term, generally one year. For a one-year membership, $1/12^{th}$ of the dues payment is recognized each month. Membership in the Alliance is recognized on an anniversary cycle, where a membership term begins at the first of the month following dues payment. Renewal payments received before or during the anniversary month expiration, extend the membership beyond the existing expiration. Renewal payments received after membership lapse, start a new membership deferral period for individuals. For museum renewals, if payment is received within 15 days of the subsequent month, the deferral period begins on the first day after the expiration date. For all other payments, a new membership cycle begins the first of the month following payment. The revenue recognition is point over time.

Foundation/Corporate Contributions – Contributions are recorded as revenue as detailed in the donor agreement and the Alliance tracks donor restrictions, if any. The revenue recognition is point in time.

Sponsorship Agreements for Annual Meeting – Sponsorships are considered conditional contributions where organizations pay a sponsorship fee based on selected sponsorship levels, the condition being the occurrence of the Annual Meeting. Benefits received include print and verbal recognition for and during the Annual Meeting and & Museum Expo. Revenue is recognized in the month of the Annual Meeting. The revenue recognition is point over time.

Sponsorship Agreements for Museums Advocacy Day – Sponsorships are considered exchange transactions where supporters pay a fee based on selected sponsorship levels. Benefits received include advertisement recognition, membership benefits and complimentary registrations. As benefits predominantly occur at Museums Advocacy Day, revenue is recognized in the month of the event. The revenue recognition is point over time.

Exhibit and Other Fees – Payments for exhibit hall vendors are considered exchange transactions, where attendees benefit from services provided at the time of the Annual Meeting. Revenue is deferred until the month of the meeting. The revenue recognition is point over time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Registrations – Payments for conference and Advocacy Day registrations are considered exchange transactions, where attendees benefit from services provided at the time of the conference (generally Museum Advocacy Day and Annual Meeting). Revenue is deferred until the month of the event. The revenue recognition is point over time.

Grants and Contracts – The Alliance receives cooperative contracts and grant awards from federal government agencies in exchange for services. Revenue from these cooperative contracts and grants is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. The Alliance also receives grant awards from certain federal government agencies that are recognized as grants and contracts upon the federal agency awarding the grant. Revenue recognized on grants and contracts for which payments have not been received is included in grants and contracts receivable in the accompanying statements of financial position. The revenue recognition is point over time.

Advertising Income – Revenue associated with advertising in the printed magazine, annual meeting program, and on-line/electronic formats is recognized as an exchange transaction according to the below:

Printed Magazine	Month preceding issue to coincide with printing expense.
Annual Meeting Program	Month of annual meeting.
Electronic	Month of on-line ad.
Job Board	Month of on-line ad.

Accreditation Fees – Accreditation fees represent annual fees billed to all museums participating in the accreditation program. Accreditation fees are recognized as revenue in the period to which the accreditation relates. This program includes applicants that have not yet been accredited and museums not currently in active review. Revenue recognized on accreditation fees for which payment has not yet been received is included in accounts receivable in the accompanying statements of financial position. The performance obligation for self-study review is met when the self-study is completed and accreditation provided. The revenue recognition is point over time.

Royalties – Revenue associated with royalties is recognized as an exchange transaction, whereby licensees are granted permission to use the Alliance's name and logo for a stated period of time. Revenue is recognized on a pro-rated basis based on the contract duration. The revenue recognition is point over time.

Publication Sales – Publications sales are recorded when the related publication is shipped and are recorded in the accompanying statements of activities, net of any discounts. Shipping and handling costs are recorded as cost of goods sold. The revenue recognition is point over time.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities has been summarized on a functional basis in the accompanying statements of activities. Expenses that are not directly charged to a program or supporting service are allocated among the programs and supporting services based upon management's estimates of the portion of the costs applicable to each function. Salaries and administrative costs and occupancy have been allocated between program services, management and general, and development and fundraising based on level of effort.

Income Taxes

The Alliance is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. However, the Alliance is subject to federal and Virginia income taxes on its unrelated business activities. The Alliance's primary source of unrelated business income is advertising in its periodicals and in its online job-posting forum.

The Alliance follows the accounting standard regarding the recognition and measurement of uncertain tax positions. The Association evaluated its tax positions and determined that its tax positions are more-likely-than-not to be sustained on examination.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Measure of Operations

Revenue and expenses generally reflect those that arise from the Alliance's activities and exclude investment income (loss), net, which the Alliance defines as all interest, dividends, realized and unrealized gains and losses, and investment fees from long-term investments.

Prior Year Summarized Information

The accompanying financial statements include certain prior 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Alliance's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principles

During the year ended December 31, 2019, the Alliance adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification No. 606, *Revenue Recognition from Contracts with Customers*. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. Accordingly, the accounting change has been adopted using the modified prospective approach.

During the year ended December 31, 2019, the Alliance adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The guidance provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also requires an entity to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Accordingly, the accounting change has been adopted using the modified prospective approach.

Liquidity

As part of the Alliance's liquidity management, it invests cash in excess of daily requirements in short-term investments within its portfolio. The Alliance's financial assets within one year of the statements of financial position date for general expenditures were as follows as of December 31:

	2019	2018
Cash and Cash Equivalents	$ 2,984,236	$ 2,383,716
Accounts Receivable, Net	70,772	55,553
Pledges Receivable Due Within One Year	1,063,988	623,354
Grants and Contracts Receivable	177,693	282,603
Investments	4,421,152	3,751,703
Total Assets	8,717,841	7,096,929
Without Donor Restrictions - Board Designated	(109,623)	(63,979)
With Donor Restrictions - Purpose and Time Restricted	(3,461,121)	(4,316,329)
Purpose and Time Restricted Pledge Receivable Due After One Year	439,950	1,360,502
With Donor Restrictions - Donor Restricted Endowment Fund	(271,315)	(271,014)
Total	$ 5,315,732	$ 3,806,109

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liquidity (Continued)

The Alliance also holds a revolving line of credit with its bank, where a portion is available as a short-term borrowing facility to supplement the cash available to fund its operations. Note 6 lays out further detail on the Alliance's line of credit.

Subsequent Events

In preparing the financial statements, the Alliance has evaluated events and transactions for potential recognition or disclosure through June 15, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. The U.S. declared a national state of emergency in March 2020, with the U.S. Centers for Disease Control issuing guidance on social distancing and stay in place protocols to prevent the transmission of the disease. On March 27, 2020, the Alliance announced its decision to cancel its scheduled 2020 annual meeting in San Francisco due to concerns over COVID-19 and the recent declarations. Future events and meetings revenues and expenses of the Alliance are uncertain due to the potential impact on travel. This could also impact transactions relating to customers and vendors. In addition, both domestic and international equity markets have experienced significant declines since December 31, 2019. As of June 15, 2020, the amount and likelihood of loss relating to these events is not determined.

NOTE 2 PLEDGES, GRANTS, AND CONTRACTS RECEIVABLE

Pledges receivable primarily consisted of support promised to enhance program development and communications and fellowships. Grants and contracts receivable are composed of amounts due from federal agencies and sponsoring organizations. All amounts are considered fully collectible.

The grants and contracts receivable balances as of December 31, 2019 and 2018, are due within one year.

The pledges receivable balances as of December 31, are due as follows:

	2019	2018
Within One Year	$ 1,063,988	$ 623,354
Two - Five Years	439,950	1,439,438
Present Value Discount	(45,189)	(78,936)
Total	$ 1,458,749	$ 1,983,856

NOTE 3 INVESTMENTS

Investments consisted of the following at fair value as of December 31:

	2019	2018
Equity Mutual Funds	$ 2,604,285	$ 2,024,138
Fixed Income Mutual Funds	1,740,142	1,649,354
Money Market Funds	76,725	78,211
Total	$ 4,421,152	$ 3,751,703

Investments, by net asset composition, consisted of the following as of December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Investments	$ 4,149,837	$ 271,315	$ 4,421,152

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Investments	$ 3,480,689	$ 271,014	$ 3,751,703

Investment income (loss), net of investment expenses, consisted of the following for the years ended December 31:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	$ 122,668	$ 10,901	$ 133,569
Realized Gain	216,773	20,160	236,933
Unrealized Gain	331,662	36,443	368,105
Investment Expenses	(31,525)	(3,654)	(35,179)
Total	$ 639,578	$ 63,850	$ 703,428

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	$ 86,211	$ 9,366	$ 95,577
Realized Gain	393,135	21,305	414,440
Unrealized Loss	(601,618)	(41,371)	(642,989)
Investment Expenses	(29,647)	(3,267)	(32,914)
Total	$ (151,919)	$ (13,967)	$ (165,886)

NOTE 4 FAIR VALUE MEASUREMENTS

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, the Alliance has categorized its applicable financial instruments into a three-level 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). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based upon the lowest-level input that is significant to the fair value measurement of the instrument.

Applicable financial assets are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly, such as quoted prices for similar assets in active markets.

Level 3 – Unobservable inputs for the asset, including the reporting entity's own assumptions in determining the fair value measurement.

The following table summarizes the Alliance's assets measured at fair value on a recurring basis as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Investments:				
Equity Mutual Funds:				
Large Cap Growth	$ 946,527	$ -	$ -	$ 946,527
Large Cap Value	1,115,752	-	-	1,115,752
Medium Cap Value	34,296	-	-	34,296
Large Cap Blend	19,252	-	-	19,252
International Equity	488,458	-	-	488,458
Fixed Income Mutual Funds:				
Fixed Income Blend	1,740,142	-	-	1,740,142
Money Market Funds	76,725	-	-	76,725
Total	$ 4,421,152	$ -	$ -	$ 4,421,152

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the Alliance's assets measured at fair value on a recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Investments:				
Equity Mutual Funds:				
Large Cap Growth	$ 835,528	$ -	$ -	$ 835,528
Large Cap Value	800,637	-	-	800,637
International Equity	387,973	-	-	387,973
Fixed Income Mutual Funds:				
Fixed Income Blend	1,649,354	-	-	1,649,354
Money Market Funds	78,211	-	-	78,211
Total	$ 3,751,703	$ -	$ -	$ 3,751,703

NOTE 5 PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION

The Alliance held the following property and equipment as of December 31:

	2019	2018
Software	$ 1,461,696	$ 1,434,096
Furniture and Equipment	259,694	421,754
Leasehold Improvements	1,275,047	1,275,047
Less: Accumulated Depreciation and Amortization	(1,707,454)	(1,588,868)
Total	$ 1,288,983	$ 1,542,029

Depreciation and amortization expense totaled $295,813 and $319,030 for the years ended December 31, 2019 and 2018, respectively.

NOTE 6 LINE OF CREDIT

The Alliance has a revolving line of credit with its bank in the amount of $1,230,000 that is currently extended through August 30, 2020. The Alliance uses this line of credit for two reasons: 1) $547,638 is committed as Standby Letters of Credit against the office leases; 2) the remaining balance is available as a short-term borrowing facility to supplement the cash available to fund its operations. Amounts drawn on this line of credit accrue interest at the British Bankers Alliance London Interbank Offered Rate plus 1.5%, which together was 3.5% and 4.58% as of December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, there were no amounts drawn on, and no interest expense associated with, the line of credit. The line of credit is secured by the Alliance's investments.

NOTE 7 DEFERRED REVENUE

Deferred revenue consisted of the following as of December 31:

	2019	2018
Membership Dues	$ 1,967,275	$ 1,918,440
Sponsorships	217,000	-
Exhibit and Other Fees	656,786	575,127
Registrations	88,148	84,508
Accreditation Fees	79,410	95,310
Other	107,337	35,568
Subscriptions	18,516	18,728
Total	$ 3,134,472	$ 2,727,681

NOTE 8 PENSION PLAN

The Alliance sponsors a tax-deferred annuity 403(b) plan for eligible employees. Eligible employees may elect to contribute to their individual annuity contracts through salary deferrals. The Alliance will match contributions to each employee's individual annuity contract up to 5% of that employee’s annual salary. The Alliance's contributions to the plan totaled $137,705 and $146,132 for the years ended December 31, 2019 and 2018, respectively.

NOTE 9 OPERATING LEASES

Washington, DC Office Lease

The Alliance entered into a noncancelable operating lease for office and storage space through December 31, 2020. The lease contains an annual rent escalation provision of 2.5% that becomes effective on each anniversary date of the agreement and a pass-through provision for a portion of the building’s operating costs and taxes. Furthermore, in accordance with the lease agreement, the Alliance provided an irrevocable letter of credit in the amount of $64,806 to the lessor as a security deposit for the lease. The Alliance entered into a sublease arrangement for its office space that commenced on October 20, 2016, and extends through December 31, 2020.

The Alliance assigned its right to receive rental income under the sublease agreement to its new landlord under the terms of the April 1, 2015, lease agreement as described under new office lease below.

NOTE 9 OPERATING LEASES (CONTINUED)

Arlington, Virginia Office Lease

On April 1, 2015, the Alliance signed a noncancelable operating lease for office and storage space in Arlington, Virginia, through January 31, 2031, with annual base rent of $643,776 payable monthly. The lease contains an annual rent escalation provision of 3% that becomes effective on each anniversary date of the agreement and a pass-through provision for a portion of the building and operating costs and taxes. As an inducement to this lease, the lease calls for the new landlord to pay all rent, operating costs and taxes accruing on or after the rent start date, which are required to be paid to comply with the Alliance's obligations under the Washington, DC, lease. In addition, the new landlord provided the Alliance with a tenant improvement allowance totaling $1,149,600, which was utilized by the Alliance to construct its new offices during the year ended December 31, 2015. The Alliance provided an irrevocable letter of credit in the amount of $482,832 to the new landlord as a security deposit for the lease. If certain financial provisions are met, the security deposit required on the lease will be reduced to $268,400 on the ninth anniversary of the rent start date.

Under accounting principles generally accepted in the United States of America, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and leasehold incentive liability in the accompanying statement of financial position.

Future minimum lease rental payments under these operating leases are as follows:

Year Ending December 31,	Amount
2020	$ 737,970
2021	760,109
2022	782,913
2023	806,400
2024	830,592
Thereafter	5,618,281
Total	$ 9,536,265

Rent expense totaled $866,531 and $891,187 for the years ended December 31, 2019 and 2018, respectively.

NOTE 10 COMMITMENTS AND RISK

Hotel Commitments

The Alliance has entered into agreements with several hotels to provide conference facilities and room accommodations for its annual meeting, as well as other meetings and workshops, through May 2023. The agreements contain various clauses whereby the Alliance is liable for liquidated damages in the event of cancellation or lower-than-anticipated attendance. The maximum possible amount of liquidated damages was approximately $2,178,000 as of December 31, 2019.

NOTE 10 COMMITMENTS AND RISK (CONTINUED)

Employment Agreement

The Alliance entered into an employment agreement with an executive officer that expires in June 1, 2024. Under the terms of the agreement, the Alliance is to pay the executive officer amounts for compensation, benefits, and allowances, unless the Alliance terminates the agreement for cause. If the Alliance terminates the agreement for reasons other than cause, the executive officer is entitled to an amount equal to eight months of the then-current annual salary.

Concentration of Cash and Cash Equivalents

The Alliance maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation insured limit of $250,000 per depositor per institution. The Alliance monitors the creditworthiness of its financial institutions and has not experienced, nor does it anticipate, any credit losses on its cash and cash equivalents.

Market Risk

The Alliance invests in a variety of investments. These investments are exposed to various risks, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Indirect Cost Reimbursement

The majority of the Alliance's federal awards allow for indirect cost recovery. Indirect costs billed under the Alliance's major federal programs are based upon the provisional indirect cost rate last approved by the U.S. Department of the Interior or the negotiated rate per the respective contracts. Management believes that matters arising from the review by the federal agency of its indirect cost rate will not have a material effect on the Alliance's financial position.

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS – PURPOSE AND TIME RESTRICTED

Net assets with donor restrictions – purpose and time restricted are available for the following programs or purposes, and for specified times, as of December 31:

	2019	2018
Purpose Restricted:		
Audience Building Program	$ 260,356	$ 135,743
Fellowship Program	85,000	100,000
Diversity in Museum Leadership (DEAI)	2,843,321	3,421,244
Museum Economic Impact Analysis	8,447	8,447
Children's Museum	7,798	8,819
Creative Aging Convenings	191,016	239,771
CFM Foresight Scholarship	15,000	1,500
Total Purpose Restricted	3,410,938	3,915,524
Time Restricted	50,183	400,805
Total	$ 3,461,121	$ 4,316,329

NOTE 12 NET ASSETS RELEASED FROM RESTRICTIONS

The following net assets with donor restrictions were released from donor restrictions at December 31, by incurring expenses, which satisfied the restricted purpose or time period specified by donors:

	2019	2018
Purpose Restricted:		
Audience Building Program	$ 75,386	$ 64,257
Fellowship Program	100,000	100,000
Diversity in Museum Leadership (DEAI)	1,159,290	-
Museum Economic Impact Analysis	-	32,705
Children's Museum	1,022	1,181
Creative Aging Convenings	48,755	10,890
CFM Foresight Scholarship	34,500	-
Center Future Museums	-	38,431
Conference of the Americas	150,000	-
Other	33,747	105,606
Total Purpose Restricted	1,602,700	353,070
Time Restricted	620,875	671,222
Total	$ 2,223,575	$ 1,024,292

NOTE 13 ENDOWMENT FUNDS

The Alliance’s endowment consists of donor-restricted funds and board-designated matching funds contributed to the Alliance in support of its accreditation program and other professional standards initiatives.

NOTE 13 ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law

The Alliance's Board of Directors has interpreted Virginia's Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Alliance classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified to be held in perpetuity is classified as time or purpose restricted net assets until those amounts are appropriated for expenditure by the Alliance in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Alliance considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Alliance and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Alliance.
- The investment policies of the Alliance.

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires the Alliance to retain as a fund of perpetual duration. As of December 31, 2019 and 2018, the deficiency was $0 and $301, respectively.

Return Objectives and Risk Parameters

The Alliance has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve a balanced return of current income for program support and modest capital appreciation. The Alliance expects its endowment funds, over time, to provide an annual average rate of return of approximately 2% over the Consumer Price Index and 1% over the Treasury Bill Index. Actual returns in any given year may vary from this amount.

NOTE 13 ENDOWMENT FUNDS (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Alliance relies on a return strategy in which investment returns are achieved through current yield (interest and dividends). The Alliance's current asset allocation for board-designated and permanently restricted endowment funds targets a composition of a maximum of 70% fixed-income-based investments and 60% equities.

Spending Policy

The Board of Directors authorizes spending of the cumulative investment return generated by the donor-restricted endowment funds primarily based on the purpose of the donor-restricted endowment fund, i.e., to support museum accreditation activities and ensure the duration and preservation of the fund. Available funds may be distributed annually up to 5% of the total market value based upon a three-year rolling average. The spending percentage is reviewed annually by the Board of Directors and adjusted accordingly. The Board of Directors distributes funds on an as needed basis for the without donor restrictions fund.

As of December 31, 2019, the endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2019	$ 63,979	$271,014	$ 334,993
Interest and Dividends, Net of Investment Expense	1,701	7,548	9,249
Net Realized and Unrealized Gain	13,285	56,603	69,888
Total Investment Return	14,986	64,151	79,137
Contributions Amount Appropriated for Expenditure	30,658	(63,850)	(33,192)
Endowment Net Assets, December 31, 2019	$ 109,623	$271,315	$ 380,938
Donor Restricted Endowment Fund Net Assets:			
The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA			$ 271,315

NOTE 13 ENDOWMENT FUNDS (CONTINUED)

As of December 31, 2018, the endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2018	$ 94,934	$293,763	$ 388,697
Interest and Dividends, Net of Investment Expense	1,963	6,100	8,063
Net Realized and Unrealized Loss	(6,458)	(20,067)	(26,525)
Total Investment Return	(4,495)	(13,967)	(18,462)
Contributions Amount Appropriated for Expenditure	(26,460)	(8,782)	(35,242)
Endowment Net Assets, December 31, 2018	$ 63,979	$271,014	$ 334,993

Donor Restricted Endowment Fund Net Assets:	
The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA	$ 271,014