

**AMERICAN ALLIANCE OF MUSEUMS**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**



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**AMERICAN ALLIANCE OF MUSEUMS  
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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, 2020 and 2019, 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, 2020 and 2019, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Arlington, Virginia  
May 11, 2021

**AMERICAN ALLIANCE OF MUSEUMS  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 3,176,079	\$ 2,984,236
Accounts Receivable, Net of Allowance for Doubtful Accounts of \$8,400 and \$13,265, Respectively	117,279	70,772
Pledges Receivable	501,950	1,458,749
Grants and Contracts Receivable	95,724	177,693
Inventory	47,535	50,594
Prepaid Expenses and Deposits	337,425	358,419
Investments	5,012,946	4,421,152
Property and Equipment, Net	1,064,222	1,288,983
Total Assets	\$ 10,353,160	\$ 10,810,598
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 399,241	\$ 588,071
Deferred Revenue	2,403,471	3,134,472
Funds Held on Behalf of Others	39,136	39,136
Line of Credit	300,000	-
Deferred Rent and Leasehold Incentive Liability	1,541,463	1,562,063
Total Liabilities	4,683,311	5,323,742
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	3,404,089	1,644,797
Board-Designated	153,988	109,623
Total Net Assets Without Donor Restrictions	3,558,077	1,754,420
With Donor Restrictions:		
Purpose and Time Restricted	1,840,457	3,461,121
Donor-Restricted Endowment Fund	271,315	271,315
Total Net Assets With Donor Restrictions	2,111,772	3,732,436
Total Net Assets	5,669,849	5,486,856
Total Liabilities and Net Assets	\$ 10,353,160	\$ 10,810,598

See accompanying Notes to Financial Statements.

**AMERICAN ALLIANCE OF MUSEUMS  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Membership Dues	\$ 3,321,957	\$ -	\$ 3,321,957	\$ 3,632,148	\$ -	\$ 3,632,148
Contributions and Sponsorships	1,329,087	367,201	1,696,288	488,729	959,887	1,448,616
Exhibit and Other Fees	198,550	-	198,550	1,269,285	-	1,269,285
Registrations	708,883	-	708,883	1,551,434	-	1,551,434
Grants and Contracts	456,944	-	456,944	301,892	-	301,892
Advertising Income	433,081	-	433,081	642,524	-	642,524
Accreditation Fees	319,680	-	319,680	340,095	-	340,095
Royalties	53,955	-	53,955	53,359	-	53,359
Publication Sales	48,872	-	48,872	93,907	-	93,907
Other	20,122	-	20,122	53,116	-	53,116
Subscriptions	40,107	-	40,107	42,937	-	42,937
In-Kind Contributions	70,719	-	70,719	-	-	-
Appropriation of Accumulated Earnings	-	23,580	23,580	-	33,192	33,192
Net Assets Released from Restrictions:						
Released from Purpose Restrictions	1,995,702	(1,995,702)	-	1,602,700	(1,602,700)	-
Released from Time Restrictions	40,555	(40,555)	-	276,245	(276,245)	-
Total Revenue and Support	<u>9,038,214</u>	<u>(1,645,476)</u>	<u>7,392,738</u>	<u>10,348,371</u>	<u>(885,866)</u>	<u>9,462,505</u>
<b>EXPENSES</b>						
Program Services:						
Field-Wide Services	3,073,774	-	3,073,774	2,620,172	-	2,620,172
Meetings and Professional Education	1,186,483	-	1,186,483	3,492,315	-	3,492,315
Membership	530,217	-	530,217	770,151	-	770,151
Publications and Business Enterprises	769,519	-	769,519	902,879	-	902,879
Advocacy	560,726	-	560,726	536,229	-	536,229
Center for the Future of Museums	197,453	-	197,453	285,453	-	285,453
Total Program Services	<u>6,318,172</u>	<u>-</u>	<u>6,318,172</u>	<u>8,607,199</u>	<u>-</u>	<u>8,607,199</u>
Supporting Services:						
Management and General	715,648	-	715,648	940,893	-	940,893
Development and Fundraising	766,736	-	766,736	745,262	-	745,262
Total Supporting Services	<u>1,482,384</u>	<u>-</u>	<u>1,482,384</u>	<u>1,686,155</u>	<u>-</u>	<u>1,686,155</u>
Total Expenses	<u>7,800,556</u>	<u>-</u>	<u>7,800,556</u>	<u>10,293,354</u>	<u>-</u>	<u>10,293,354</u>
Change in Net Assets Before Other Items	1,237,658	(1,645,476)	(407,818)	55,017	(885,866)	(830,849)
<b>OTHER ITEMS</b>						
Investment Income, Net	565,999	48,392	614,391	639,277	64,151	703,428
Appropriation of Accumulated Earnings	-	(23,580)	(23,580)	-	(33,192)	(33,192)
Total Other Items	<u>565,999</u>	<u>24,812</u>	<u>590,811</u>	<u>639,277</u>	<u>30,959</u>	<u>670,236</u>
<b>CHANGE IN NET ASSETS</b>	1,803,657	(1,620,664)	182,993	694,294	(854,907)	(160,613)
Net Assets - Beginning of Year	<u>1,754,420</u>	<u>3,732,436</u>	<u>5,486,856</u>	<u>1,060,126</u>	<u>4,587,343</u>	<u>5,647,469</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,558,077</u>	<u>\$ 2,111,772</u>	<u>\$ 5,669,849</u>	<u>\$ 1,754,420</u>	<u>\$ 3,732,436</u>	<u>\$ 5,486,856</u>

See accompanying Notes to Financial Statements.

**AMERICAN ALLIANCE OF MUSEUMS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020**

	Program Services						Supporting Services			Total	
	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
Personnel	\$ 1,124,736	\$ 456,994	\$ 252,831	\$ 203,058	\$ 217,652	\$ 134,443	\$ 2,389,714	\$ 1,100,580	\$ 503,696	\$ 1,604,276	\$ 3,993,990
Contractors	779,241	346,719	1,370	172,731	50,140	5,605	1,355,806	426,507	31,023	457,530	1,813,336
Occupancy	-	-	-	-	-	-	-	768,506	-	768,506	768,506
Travel	23,552	8,186	3,417	-	15,845	-	51,000	7,294	4,287	11,581	62,581
Food and Beverage	7,994	(45)	129	112	56,037	-	64,227	1,780	-	1,780	66,007
Printing, Postage, and Freight	44,474	333	52,491	66,184	5,752	23	169,257	4,647	1,582	6,229	175,486
Supplies, Equipment, and Equipment Rental	3,286	4,298	-	(131)	17,523	40	25,016	26,560	-	26,560	51,576
Depreciation and Amortization	-	-	-	-	-	-	-	246,906	-	246,906	246,906
Bank Fees, Taxes and Licenses	-	400	-	175	-	-	575	224,083	-	224,083	224,658
Other Expenses	163,275	-	66,000	2,022	-	-	231,297	(128,036)	-	(128,036)	103,261
Communications	438	160	-	24,094	1,000	-	25,692	56,081	18	56,099	81,791
Cost of Goods Sold	-	-	-	3,059	-	-	3,059	-	-	-	3,059
Professional Development	6,882	967	-	4,022	33,938	-	45,809	7,799	3,464	11,263	57,072
Scholarships and Awards	27,250	10,600	-	-	-	-	37,850	500	-	500	38,350
Insurance	-	13,308	-	-	-	-	13,308	29,950	-	29,950	43,258
Services In-Kind	-	-	-	70,719	-	-	70,719	-	-	-	70,719
Total Expenses Prior to Allocation	<u>2,181,128</u>	<u>841,920</u>	<u>376,238</u>	<u>546,045</u>	<u>397,887</u>	<u>140,111</u>	<u>4,483,329</u>	<u>2,773,167</u>	<u>544,070</u>	<u>3,317,227</u>	<u>7,800,556</u>
Allocation of Management and General Expense	892,646	344,563	153,979	223,474	162,839	57,342	1,834,843	(2,057,509)	222,666	(1,834,843)	-
Total Expenses After Allocation	<u>\$ 3,073,774</u>	<u>\$ 1,186,483</u>	<u>\$ 530,217</u>	<u>\$ 769,519</u>	<u>\$ 560,726</u>	<u>\$ 197,453</u>	<u>\$ 6,318,172</u>	<u>\$ 715,648</u>	<u>\$ 766,736</u>	<u>\$ 1,482,384</u>	<u>\$ 7,800,556</u>

See accompanying Notes to Financial Statements.

**AMERICAN ALLIANCE OF MUSEUMS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	Program Services						Supporting Services				Total
	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	
Personnel	\$ 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
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
Occupancy	8,367	110,000	-	-	500	-	118,867	747,664	-	747,664	866,531
Travel	194,466	129,969	15,561	17	3,453	796	344,262	26,619	33,608	60,227	404,489
Food and Beverage	73,054	438,924	2,957	85	67,912	1018	583,950	7,869	24	7,893	591,843
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
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
Depreciation and Amortization	-	-	-	-	-	-	-	295,813	-	295,813	295,813
Bank Fees, Taxes and Licenses	-	249	-	1,762	-	-	2,011	389,421	-	389,421	391,432
Other Expenses	140,999	39	28,055	50	-	5,059	174,202	(155,884)	10,137	(145,747)	28,455
Communications	188	27,947	771	24,229	434	103	53,672	54,270	-	54,270	107,942
Cost of Goods Sold	-	-	-	10,150	-	-	10,150	-	-	-	10,150
Professional Development	200	579	1,025	5,834	33,472	30	41,140	21,466	2,851	24,317	65,457
Scholarships and Awards	15,500	37,280	-	-	-	-	52,780	1,000	-	1,000	53,780
Insurance	4,893	10,993	-	-	-	-	15,886	28,577	-	28,577	44,463
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
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

See accompanying Notes to Financial Statements.



**AMERICAN ALLIANCE OF MUSEUMS  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 182,993	\$ (160,613)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	246,906	295,813
Gain on Disposal of Property and Equipment	(9,889)	-
Net Realized Gains on Sales of Investments	(67,562)	(236,933)
Net Unrealized Gains on Investments	(474,459)	(368,105)
(Increase) Decrease in Assets:		
Accounts Receivable, Net	(46,507)	(15,219)
Pledges Receivable	956,799	525,107
Grants and Contracts Receivable	81,969	104,910
Inventory	3,059	4,614
Prepaid Expenses and Deposits	20,994	(42,767)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(188,830)	194,434
Deferred Revenue	(731,001)	406,791
Deferred Rent and Leasehold Incentive Liability	(20,600)	(334)
Net Cash Provided (Used) by Operating Activities	(46,128)	707,698
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(32,034)	(42,767)
Proceeds from Sales of Investments	2,886,423	3,870,467
Purchases of Investments	(2,916,418)	(3,934,878)
Net Cash Used by Investing Activities	(62,029)	(107,178)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Draw on Line of Credit	300,000	-
Net Cash Provided by Financing Activities	300,000	-
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	191,843	600,520
 Cash and Cash Equivalents - Beginning of Year	2,984,236	2,383,716
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 3,176,079	\$ 2,984,236
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Taxes Paid	\$ 93,104	\$ 179,362

See accompanying Notes to Financial Statements.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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 its 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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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 statements 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 includes conditional contributions where the initial condition is both made and satisfied in the same period and 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 as 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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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 as 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<sup>th</sup> 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 for one more year using the existing membership anniversary period. 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 is recognized over time.

***Foundation/Corporate Contributions*** – Contributions are recorded as revenue as detailed in the donor agreement and the Alliance tracks donor restrictions, if any.

***Individual Contributions*** – Contributions are recorded as revenue as detailed in the donor engagement documentation and the Alliance tracks donor restrictions, if any.

***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. Contribution is recognized after the Annual Meeting.

***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 is recognized at a point in 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 is recognized at a point in time.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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 is recognized at a point in 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.

**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 is recognized at a point in 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 rata basis based on the contract duration. The revenue is recognized 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 is recognized at a point in time.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

*In-Kind Donations* – The Alliance’s policy is to recognize contributed professional services if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets and materials are recognized at fair market value when received. In-kind donations of \$70,719 were recorded for contributed services for the year ended December 31, 2020.

**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 Alliance 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, net, which the Alliance defines as all interest, dividends, realized and unrealized gains and losses, and investment fees from long-term investments.

**Reclassification**

Certain amounts have been reclassified to conform to the 2020 presentation. Such reclassifications had no effect on previously reported changes in net assets or total net assets.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Upcoming Accounting Standards Update**

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards update No. 2016-02, *Leases* (ASU 2016-02). This update requires all leases with a term greater than 12 months to be recognized on the balance sheet through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2021, with early adoption permitted. The Alliance is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures, but has not determined the timing of the adoption.

**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:

	2020	2019
Cash and Cash Equivalents	\$ 3,176,079	\$ 2,984,236
Accounts Receivable, Net	117,279	70,772
Pledges Receivable Due Within One Year	501,950	1,063,988
Grants and Contracts Receivable	95,724	177,693
Investments	5,012,946	4,421,152
Total Assets	8,903,978	8,717,841
Without Donor Restrictions - Board-Designated	(153,988)	(109,623)
With Donor Restrictions - Purpose and Time Restricted	(1,840,457)	(3,461,121)
Purpose and Time Restricted Pledges Receivable		
Due After One Year	-	439,950
With Donor Restrictions -		
Donor-Restricted Endowment Fund	(271,315)	(271,315)
Total	\$ 6,638,218	\$ 5,315,732

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 accordance with generally accepted accounting principles, management has evaluated subsequent events involving the Alliance for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions which occurred after December 31, 2020 up through May 11, 2021, the date the financial statements were available to be issued.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events (Continued)**

Based upon this evaluation, other than those disclosed below and in Note 14, the Alliance has determined that no other subsequent events have occurred which require adjustment to or disclosure in the financial statements.

Subsequent to year-end, the Alliance received a Second Draw PPP Loan of \$742,752 as part of the Paycheck Protection Program. These funds must be used in accordance with the program requirements. Additionally, some or all of the funds may be forgiven based on compliance with program requirements and approval by the U.S. Small Business Administration (SBA).

On February 3, 2021, the Alliance announced its decision to move its scheduled 2021 in-person Annual Meeting in Chicago to a virtual setting due to continued concerns and declarations over COVID-19 and related in-person group gathering regulations.

**NOTE 2 PLEDGES, GRANTS, AND CONTRACTS RECEIVABLE**

Pledges receivable primarily consist 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, 2020 and 2019, are due within one year.

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

	2020	2019
Within One Year	\$ 501,950	\$ 1,063,988
Two - Five Years	-	439,950
Present Value Discount	-	(45,189)
Total	\$ 501,950	\$ 1,458,749

**NOTE 3 INVESTMENTS**

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

	2020	2019
Equity Mutual Funds	\$ 3,093,241	\$ 2,604,285
Fixed Income Mutual Funds	1,831,265	1,740,142
Money Market Funds	88,440	76,725
Total	\$ 5,012,946	\$ 4,421,152



**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 3 INVESTMENTS (CONTINUED)**

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Investments	\$ 4,741,631	\$ 271,315	\$ 5,012,946
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Investments	\$ 4,149,837	\$ 271,315	\$ 4,421,152

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	\$ 102,768	\$ 7,993	\$ 110,761
Realized Gains	62,158	5,404	67,562
Unrealized Gains	435,958	38,501	474,459
Investment Expenses	(34,885)	(3,506)	(38,391)
Total	\$ 565,999	\$ 48,392	\$ 614,391
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and Dividends	\$ 122,668	\$ 10,901	\$ 133,569
Realized Gains	216,773	20,160	236,933
Unrealized Losses	331,662	36,443	368,105
Investment Expenses	(31,525)	(3,654)	(35,179)
Total	\$ 639,578	\$ 63,850	\$ 703,428

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 2020:

	Level 1	Level 2	Level 3	Total
Investments:				
Equity Mutual Funds:				
Large Cap Growth	\$ 1,318,912	\$ -	\$ -	\$ 1,318,912
Large Cap Value	945,034	-	-	945,034
Multi Cap Value	22,481	-	-	22,481
Large Cap Blend	29,721	-	-	29,721
Multi Cap Growth	163,478	-	-	163,478
International Equity	613,615	-	-	613,615
Fixed Income Mutual Funds:				
Fixed Income Blend	1,831,265	-	-	1,831,265
Money Market Funds	88,440	-	-	88,440
Total	<u>\$ 5,012,946</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,012,946</u>

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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, 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	<u>\$ 4,421,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,421,152</u>

**NOTE 5 PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION**

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

	2020	2019
Software	\$ 1,398,097	\$ 1,461,696
Furniture and Equipment	277,060	259,694
Leasehold Improvements	1,275,047	1,275,047
Total Cost	<u>2,950,204</u>	<u>2,996,437</u>
Less: Accumulated Depreciation and Amortization	<u>(1,885,982)</u>	<u>(1,707,454)</u>
Total	<u>\$ 1,064,222</u>	<u>\$ 1,288,983</u>

Depreciation and amortization expense totaled \$246,906 and \$295,813 for the years ended December 31, 2020 and 2019, 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 October 30, 2021. The Alliance uses this line of credit for two reasons: 1) \$489,832 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 greater of the LIBOR Daily Floating Rate or the Index Floor plus 1.5%, which together was 4.05% and 3.5% as of December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, there was a draw of \$300,000 and \$265 paid in interest expense associated with the line of credit. For the year ended December 31, 2019, there were no draws made and no interest expense associated with the line of credit. The line of credit is secured by the Alliance's investments.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 7 DEFERRED REVENUE**

Deferred revenue consisted of the following as of December 31:

	2020	2019
Membership Dues	\$ 1,477,447	\$ 1,967,275
Sponsorships	119,668	217,000
Exhibit and Other Fees	380,333	656,786
Registrations	336,367	88,148
Accreditation Fees	75,875	79,410
Subscriptions	13,781	18,516
Other	-	107,337
Total	\$ 2,403,471	\$ 3,134,472

**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 matches contributions of each employee's individual annuity contract up to 5% of that employee's annual salary. The Alliance's contributions to the plan totaled \$33,816 and \$137,705 for the years ended December 31, 2020 and 2019, respectively. The Alliance's employer contributions to the plan were suspended effective April 15, 2020 until further notice due to the financial impact of the COVID-19 pandemic.

**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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
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**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 statements of financial position.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 760,109
2022	782,913
2023	806,400
2024	830,592
2025	855,510
Thereafter	4,762,771
Total	<u>\$ 8,798,295</u>

Rent expense totaled \$768,506 and \$866,531 for the years ended December 31, 2020 and 2019, respectively.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 COMMITMENTS, RISKS AND UNCERTAINTIES**

**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 \$2,087,000 as of December 31, 2020. The Alliance was able to invoke force majeure clauses in all hotel commitments contracted for the 2020 Annual Conference, eliminating liquidated damages totaling \$1,373,384.

**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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**NOTE 10 COMMITMENTS, RISKS AND UNCERTAINTIES (CONTINUED)**

**COVID-19 Pandemic**

During the year ended December 31, 2020, the World Health Organization declared the spread of the coronavirus disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, nonprofits, business, and communities. Specific to the Alliance, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, reductions in certain revenue streams as well as increases in expenses. As of May 11, 2021, the amount and likelihood of loss relating to these events have not been determined and cannot be reasonably estimated.

**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:

	2020	2019
Purpose Restricted:		
Diversity in Museum Leadership (DEAI)	\$ 1,425,977	\$ 2,843,321
Creative Aging Convenings	135,970	191,016
Audience Building Program	101,797	260,356
Inclusion Innovation Collaborative	63,488	-
Annual Meeting Scholarships	12,000	-
CFM Foresight Scholarship	1,500	15,000
Special Membership Program	1,150	-
Fellowship Program	-	85,000
Museum Economic Impact Analysis	-	8,447
Children's Museum	-	7,798
Total Purpose Restricted	1,741,882	3,410,938
Time Restricted	98,575	50,183
Total	\$ 1,840,457	\$ 3,461,121

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020 AND 2019**

**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:

	2020	2019
Purpose Restricted:		
Diversity in Museum Leadership (DEAL)	\$ 1,542,489	\$ 1,159,290
Audience Building Program	208,560	75,386
Fellowship Program	85,000	100,000
Inclusion Innovation Collaborative	61,512	-
Creative Aging Convenings	55,046	48,755
Annual Meeting Scholarship	18,000	-
Special Membership program	8,850	-
Museum Economic Impact Analysis	8,447	-
Children's Museum	7,798	1,022
CFM Foresight Scholarship	-	34,500
Conference of the Americas	-	150,000
Other	-	33,747
Total Purpose Restricted	1,995,702	1,602,700
Time Restricted	40,555	276,245
Total	\$ 2,036,257	\$ 1,878,945

**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.

**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.



**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 ENDOWMENT FUNDS (CONTINUED)**

**Interpretation of Relevant Law (Continued)**

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, 2020 and 2019, the deficiency was \$0 and \$0, 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.

**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.

**AMERICAN ALLIANCE OF MUSEUMS  
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**NOTE 13 ENDOWMENT FUNDS (CONTINUED)**

As of December 31, 2020, the endowment net asset composition by type of fund was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, January 1, 2020	\$ 109,623	\$ 271,315	\$ 380,938
Interest and Dividends, Net of Investment Expense	1,813	4,487	6,300
Net Realized and Unrealized Gains	17,740	43,905	61,645
Total Investment Return	<u>19,553</u>	<u>48,392</u>	<u>67,945</u>
Contributions Amount Appropriated for Expenditure	24,812	(48,392)	(23,580)
Endowment Net Assets, December 31, 2020	<u>\$ 153,988</u>	<u>\$ 271,315</u>	<u>\$ 425,303</u>
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			<u>\$ 271,315</u>

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 Gains	13,285	56,603	69,888
Total Investment Return	<u>14,986</u>	<u>64,151</u>	<u>79,137</u>
Contributions Amount Appropriated for Expenditure	30,658	(63,850)	(33,192)
Endowment Net Assets, December 31, 2019	<u>\$ 109,623</u>	<u>\$ 271,315</u>	<u>\$ 380,938</u>
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			<u>\$ 271,315</u>

**AMERICAN ALLIANCE OF MUSEUMS  
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**NOTE 14 PAYCHECK PROTECTION PROGRAM**

On April 15, 2020, the Alliance received proceeds in the amount of \$767,091 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan), a federal program authorized under the CARES Act of 2020. The PPP loan may be forgiven by the U.S. Small Business Administration subject to certain performance barriers, as outlined in the loan agreement and the CARES Act.

The Alliance is following ASC 958-605, *Revenue Recognition (Not-for-Profit Entities)*, to account for the initial receipts related to the PPP Loan. Therefore, the Alliance has classified this loan as a conditional contribution for accounting purposes. The Alliance recognized \$767,091 of Contributions and Sponsorships revenue related to this agreement during the year ended December 31, 2020, which represents the PPP loan funds for which the performance barriers have been met.

On January 20, 2021, the SBA processed the Alliance's PPP Loan forgiveness application and notified Bank of America that the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Alliance's financial position.