

**AMERICAN ALLIANCE OF MUSEUMS**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**



WEALTH ADVISORY | OUTSOURCING  
AUDIT, TAX, AND CONSULTING

[CLAAconnect.com](http://CLAAconnect.com)

**AMERICAN ALLIANCE OF MUSEUMS  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

|  |          |
|--|----------|
| <b>INDEPENDENT AUDITORS' REPORT</b>      | <b>1</b> |
| <b>FINANCIAL STATEMENTS</b>              |          |
| <b>STATEMENTS OF FINANCIAL POSITION</b>  | <b>3</b> |
| <b>STATEMENTS OF ACTIVITIES</b>          | <b>4</b> |
| <b>STATEMENTS OF FUNCTIONAL EXPENSES</b> | <b>5</b> |
| <b>STATEMENTS OF CASH FLOWS</b>          | <b>7</b> |
| <b>NOTES TO FINANCIAL STATEMENTS</b>     | <b>8</b> |



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
American Alliance of Museums  
Arlington, Virginia

### ***Opinion***

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Alliance as of December 31, 2021 and 2020, and change in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance's ability to continue as a going concern for one year after the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Alliance's ability to continue as a going concern for a reasonable period of time.

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Arlington, Virginia  
June 2, 2022

**AMERICAN ALLIANCE OF MUSEUMS  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020**

|   | 2021          | 2020          |
|---|---------------|---------------|
| <b>ASSETS</b>   |               |               |
| Cash and Cash Equivalents   | \$ 3,038,778  | \$ 3,176,079  |
| Accounts Receivable, Net of Allowance for<br>Doubtful Accounts of \$3,675 and \$8,400, Respectively | 268,476       | 117,279       |
| Pledges Receivable  | 96,125        | 501,950       |
| Grants and Contracts Receivable   | 950,766       | 95,724        |
| Inventory   | 45,717        | 47,535        |
| Prepaid Expenses and Deposits   | 395,660       | 337,425       |
| Investments   | 5,564,740     | 5,012,946     |
| Property and Equipment, Net   | 1,044,853     | 1,064,222     |
| Total Assets  | \$ 11,405,115 | \$ 10,353,160 |
| <b>LIABILITIES AND NET ASSETS</b>   |               |               |
| <b>LIABILITIES</b>  |               |               |
| Accounts Payable and Accrued Expenses   | \$ 664,808    | \$ 399,241    |
| Deferred Revenue  | 2,353,521     | 2,403,471     |
| Deferred Rent and Leasehold Incentive Liability   | 1,498,668     | 1,541,463     |
| Funds Held on Behalf of Others  | -             | 39,136        |
| Line of Credit  | -             | 300,000       |
| Total Liabilities   | 4,516,997     | 4,683,311     |
| <b>NET ASSETS</b>   |               |               |
| Without Donor Restrictions:   |               |               |
| Undesignated  | 5,504,469     | 3,404,089     |
| Board-Designated  | 172,517       | 153,988       |
| Total Net Assets Without Donor Restrictions   | 5,676,986     | 3,558,077     |
| With Donor Restrictions:  |               |               |
| Purpose and Time Restricted   | 939,817       | 1,840,457     |
| Donor-Restricted Endowment Fund   | 271,315       | 271,315       |
| Total Net Assets With Donor Restrictions  | 1,211,132     | 2,111,772     |
| Total Net Assets  | 6,888,118     | 5,669,849     |
| Total Liabilities and Net Assets  | \$ 11,405,115 | \$ 10,353,160 |

See accompanying Notes to Financial Statements.

**AMERICAN ALLIANCE OF MUSEUMS  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

|   | 2021                          |                            |                     | 2020                          |                            |                     |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| <b>REVENUE AND SUPPORT</b>              |                               |                            |                     |                               |                            |                     |
| Membership Dues                         | \$ 2,890,003                  | \$ -                       | \$ 2,890,003        | \$ 3,321,957                  | \$ -                       | \$ 3,321,957        |
| Contributions and Sponsorships          | 2,113,368                     | 697,502                    | 2,810,870           | 1,329,087                     | 367,201                    | 1,696,288           |
| Exhibit and Other Fees                  | 293,650                       | -                          | 293,650             | 151,950                       | -                          | 151,950             |
| Registrations                           | 713,341                       | -                          | 713,341             | 708,883                       | -                          | 708,883             |
| Grants and Contracts                    | 678,839                       | -                          | 678,839             | 456,944                       | -                          | 456,944             |
| Advertising Income                      | 716,247                       | -                          | 716,247             | 433,081                       | -                          | 433,081             |
| Accreditation and MAP Fees              | 324,954                       | -                          | 324,954             | 366,280                       | -                          | 366,280             |
| Royalties                               | 37,839                        | -                          | 37,839              | 53,955                        | -                          | 53,955              |
| Publication Sales                       | 39,404                        | -                          | 39,404              | 48,872                        | -                          | 48,872              |
| Other                                   | 3,622                         | -                          | 3,622               | 20,122                        | -                          | 20,122              |
| Subscriptions                           | 39,319                        | -                          | 39,319              | 40,107                        | -                          | 40,107              |
| In-Kind Contributions                   | 101,812                       | -                          | 101,812             | 70,719                        | -                          | 70,719              |
| Appropriation of Accumulated Earnings   | -                             | 34,856                     | 34,856              | -                             | 23,580                     | 23,580              |
| Net Assets Released from Restrictions:  |                               |                            |                     |                               |                            |                     |
| Released from Purpose Restrictions      | 1,533,353                     | (1,533,353)                | -                   | 1,995,702                     | (1,995,702)                | -                   |
| Released from Time Restrictions         | 98,845                        | (98,845)                   | -                   | 40,555                        | (40,555)                   | -                   |
| <b>Total Revenue and Support</b>        | <b>9,584,596</b>              | <b>(899,840)</b>           | <b>8,684,756</b>    | <b>9,038,214</b>              | <b>(1,645,476)</b>         | <b>7,392,738</b>    |
| <b>EXPENSES</b>                         |                               |                            |                     |                               |                            |                     |
| Program Services:                       |                               |                            |                     |                               |                            |                     |
| Field-Wide Services                     | 3,839,993                     | -                          | 3,839,993           | 3,073,774                     | -                          | 3,073,774           |
| Meetings and Professional Education     | 879,765                       | -                          | 879,765             | 1,186,483                     | -                          | 1,186,483           |
| Membership                              | 434,808                       | -                          | 434,808             | 530,217                       | -                          | 530,217             |
| Publications and Business Enterprises   | 757,209                       | -                          | 757,209             | 769,519                       | -                          | 769,519             |
| Advocacy                                | 423,942                       | -                          | 423,942             | 560,726                       | -                          | 560,726             |
| Center for the Future of Museums        | 125,313                       | -                          | 125,313             | 197,453                       | -                          | 197,453             |
| <b>Total Program Services</b>           | <b>6,461,030</b>              | <b>-</b>                   | <b>6,461,030</b>    | <b>6,318,172</b>              | <b>-</b>                   | <b>6,318,172</b>    |
| Supporting Services:                    |                               |                            |                     |                               |                            |                     |
| Management and General                  | 723,947                       | -                          | 723,947             | 715,648                       | -                          | 715,648             |
| Development and Fundraising             | 799,607                       | -                          | 799,607             | 766,736                       | -                          | 766,736             |
| <b>Total Supporting Services</b>        | <b>1,523,554</b>              | <b>-</b>                   | <b>1,523,554</b>    | <b>1,482,384</b>              | <b>-</b>                   | <b>1,482,384</b>    |
| <b>Total Expenses</b>                   | <b>7,984,584</b>              | <b>-</b>                   | <b>7,984,584</b>    | <b>7,800,556</b>              | <b>-</b>                   | <b>7,800,556</b>    |
| Change in Net Assets Before Other Items | 1,600,012                     | (899,840)                  | 700,172             | 1,237,658                     | (1,645,476)                | (407,818)           |
| <b>OTHER ITEMS</b>                      |                               |                            |                     |                               |                            |                     |
| Investment Income, Net                  | 518,897                       | 34,056                     | 552,953             | 565,999                       | 48,392                     | 614,391             |
| Appropriation of Accumulated Earnings   | -                             | (34,856)                   | (34,856)            | -                             | (23,580)                   | (23,580)            |
| <b>Total Other Items</b>                | <b>518,897</b>                | <b>(800)</b>               | <b>518,097</b>      | <b>565,999</b>                | <b>24,812</b>              | <b>590,811</b>      |
| <b>CHANGE IN NET ASSETS</b>             | <b>2,118,909</b>              | <b>(900,640)</b>           | <b>1,218,269</b>    | <b>1,803,657</b>              | <b>(1,620,664)</b>         | <b>182,993</b>      |
| Net Assets - Beginning of Year          | 3,558,077                     | 2,111,772                  | 5,669,849           | 1,754,420                     | 3,732,436                  | 5,486,856           |
| <b>NET ASSETS - END OF YEAR</b>         | <b>\$ 5,676,986</b>           | <b>\$ 1,211,132</b>        | <b>\$ 6,888,118</b> | <b>\$ 3,558,077</b>           | <b>\$ 2,111,772</b>        | <b>\$ 5,669,849</b> |

See accompanying Notes to Financial Statements.

**AMERICAN ALLIANCE OF MUSEUMS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021**

|  | 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                                    | \$ 1,259,464        | \$ 255,334                          | \$ 256,531        | \$ 192,835                            | \$ 216,622        | \$ 86,790                        | \$ 2,267,576           | \$ 1,301,812           | \$ 528,868                  | \$ 1,830,680        | \$ 4,098,256              |
| Contractors                                  | 929,059             | 325,332                             | 4,845             | 123,173                               | 52,196            | 20                               | 1,434,625              | 415,923                | 31,248                      | 447,171             | 1,881,796                 |
| Occupancy                                    | -                   | -                                   | -                 | -                                     | -                 | -                                | -                      | 760,671                | -                           | 760,671             | 760,671                   |
| Travel                                       | 125,620             | 6,146                               | -                 | -                                     | -                 | -                                | 131,766                | 1,186                  | 1,920                       | 3,106               | 134,872                   |
| Food and Beverage                            | 59                  | 66                                  | -                 | -                                     | -                 | -                                | 125                    | 909                    | -                           | 909                 | 1,034                     |
| Printing, Postage, and Freight               | 37,406              | 13,341                              | 46,984            | 91,831                                | 68                | 1                                | 189,631                | 2,342                  | 3,645                       | 5,987               | 195,618                   |
| Supplies, Equipment, and Equipment Rental    | -                   | -                                   | -                 | -                                     | -                 | -                                | -                      | -                      | -                           | -                   | -                         |
|  | 11,290              | 5,053                               | -                 | -                                     | 90                | -                                | 16,433                 | 36,093                 | 102                         | 36,195              | 52,628                    |
| Depreciation and Amortization                | -                   | -                                   | -                 | -                                     | -                 | -                                | -                      | 188,939                | -                           | 188,939             | 188,939                   |
| Bank Fees, Taxes and Licenses                | -                   | 120                                 | -                 | -                                     | -                 | -                                | 120                    | 281,161                | 30                          | 281,191             | 281,311                   |
| Other Expenses                               | 257,347             | -                                   | -                 | 792                                   | -                 | 2,000                            | 260,139                | (241,959)              | -                           | (241,959)           | 18,180                    |
| Communications                               | -                   | -                                   | -                 | 24,000                                | -                 | -                                | 24,000                 | 55,878                 | -                           | 55,878              | 79,878                    |
| Cost of Goods Sold                           | -                   | -                                   | -                 | 1,881                                 | -                 | -                                | 1,881                  | -                      | -                           | -                   | 1,881                     |
| Professional Development                     | 3,709               | -                                   | -                 | 678                                   | 31,678            | 59                               | 36,124                 | 4,748                  | 1,257                       | 6,005               | 42,129                    |
| Scholarships and Awards                      | 99,313              | 18,525                              | -                 | -                                     | -                 | -                                | 117,838                | -                      | -                           | -                   | 117,838                   |
| Insurance                                    | -                   | -                                   | -                 | -                                     | -                 | -                                | -                      | 27,741                 | -                           | 27,741              | 27,741                    |
| Services In-Kind                             | -                   | -                                   | -                 | 101,812                               | -                 | -                                | 101,812                | -                      | -                           | -                   | 101,812                   |
| <b>Total Expenses Prior to Allocation</b>    | <b>2,723,267</b>    | <b>623,917</b>                      | <b>308,360</b>    | <b>537,002</b>                        | <b>300,654</b>    | <b>88,870</b>                    | <b>4,582,070</b>       | <b>2,835,444</b>       | <b>567,070</b>              | <b>3,402,514</b>    | <b>7,984,584</b>          |
| Allocation of Management and General Expense | 1,116,726           | 255,848                             | 126,448           | 220,207                               | 123,288           | 36,443                           | 1,878,960              | (2,111,497)            | 232,537                     | (1,878,960)         | -                         |
| <b>Total Expenses After Allocation</b>       | <b>\$ 3,839,993</b> | <b>\$ 879,765</b>                   | <b>\$ 434,808</b> | <b>\$ 757,209</b>                     | <b>\$ 423,942</b> | <b>\$ 125,313</b>                | <b>\$ 6,461,030</b>    | <b>\$ 723,947</b>      | <b>\$ 799,607</b>           | <b>\$ 1,523,554</b> | <b>\$ 7,984,584</b>       |

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>2,773,157</u>       | <u>544,070</u>              | <u>3,317,227</u>    | <u>7,800,556</u>          |
| Allocation of Management and General Expense | <u>892,646</u>      | <u>344,563</u>                      | <u>153,979</u>    | <u>223,474</u>                        | <u>162,839</u>    | <u>57,342</u>                    | <u>1,834,843</u>       | <u>(2,057,509)</u>     | <u>222,666</u>              | <u>(1,834,843)</u>  | <u>-</u>                  |
| 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  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

|   | 2021         | 2020         |
|---|--------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |              |              |
| Change in Net Assets  | \$ 1,218,269 | \$ 182,993   |
| Adjustments to Reconcile Change in Net Assets to<br>Net Cash Provided (Used) by Operating Activities: |              |              |
| Depreciation and Amortization   | 188,939      | 246,906      |
| Gain on Disposal of Property and Equipment  | -            | (9,889)      |
| Net Realized Gains on Sales of Investments  | (271,732)    | (67,562)     |
| Net Unrealized Gains on Investments   | (236,630)    | (474,459)    |
| (Increase) Decrease in Assets:  |              |              |
| Accounts Receivable, Net  | (151,197)    | (46,507)     |
| Pledges Receivable  | 405,825      | 956,799      |
| Grants and Contracts Receivable   | (855,042)    | 81,969       |
| Inventory   | 1,818        | 3,059        |
| Prepaid Expenses and Deposits   | (58,235)     | 20,994       |
| Increase (Decrease) in Liabilities:   |              |              |
| Accounts Payable and Accrued Expenses   | 265,567      | (188,830)    |
| Deferred Revenue  | (49,950)     | (731,001)    |
| Funds Held on Behalf of Others  | (39,136)     | -            |
| Deferred Rent and Leasehold Incentive Liability   | (42,795)     | (20,600)     |
| Net Cash Provided (Used) by Operating Activities  | 375,701      | (46,128)     |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |              |              |
| Purchases of Property and Equipment   | (169,570)    | (32,034)     |
| Proceeds from Sales of Investments  | 919,334      | 2,886,423    |
| Purchases of Investments  | (962,766)    | (2,916,418)  |
| Net Cash Used by Investing Activities   | (213,002)    | (62,029)     |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |              |              |
| Repayments under Line of Credit   | (300,000)    | -            |
| Draw on Line of Credit  | -            | 300,000      |
| Net Cash Provided (Used) by Financing Activities  | (300,000)    | 300,000      |
| <br><b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>  | (137,301)    | 191,843      |
| Cash and Cash Equivalents - Beginning of Year   | 3,176,079    | 2,984,236    |
| <br><b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | \$ 3,038,778 | \$ 3,176,079 |
| <br><b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>   |              |              |
| Taxes Paid  | \$ 55,316    | \$ 93,104    |

See accompanying Notes to Financial Statements.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The American Association of Museums, rebranded in September 2012, does 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, Alliance Advisory services, 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 legacy bookstore 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, 2021 AND 2020**

**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 5 to 7 years, and furniture and equipment have estimated useful lives of 3 to 10 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 statement of financial position. This subleasing agreement ended on December 31, 2020 with associated security deposit administered back to the tenant in 2021.

**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, 2021 AND 2020**

**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, 1/12th 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 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.

***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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**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.

**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                                     |
| Museum Marketplace<br>Online | Ratably over a one-year period                          |

**Accreditation and Museum Assessment Program (MAP) Fees** – Accreditation and MAP fees represent fees billed to all museums participating in the accreditation and museum assessment programs. Accreditation and MAP fees are recognized as revenue in the period to which the accreditation and MAP process relates. These programs include applicants that have not yet been accredited and museums not currently in active review. Revenue recognized on accreditation and MAP fees for which payment has not yet been received is included in accounts receivable in the accompanying statement of financial position. The revenue is recognized on a prorata basis, depending on the service term ranging from 4 to 12 months, which is consistent with when performance obligations are satisfied throughout the term. The revenue is recognized 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 is recognized over time.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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

**Revenue Recognition (Continued)**

**Publication Sales** – Publications sales fulfilled by the Alliance are recorded when the related publication is shipped/delivered 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.

**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 donation of \$101,812 and \$70,719 were recorded for contributed services for the years ended December 31, 2021 and 2020, respectively.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have 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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**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. This ASU is effective to the Alliance in 2022. Management is evaluating the impact of this standard on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued is to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets are defined within the ASU as including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments do not change the recognition and measurement of nonfinancial assets. The ASU is effective to the Alliance in 2022. Early adoption is permitted. The ASU should be applied on a retrospective basis. Management is evaluating the impact of this standard on its financial statements.

**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:

|   | 2021         | 2020         |
|---|--------------|--------------|
| Cash and Cash Equivalents                             | \$ 3,038,778 | \$ 3,176,079 |
| Accounts Receivable, Net                              | 268,476      | 117,279      |
| Pledges Receivable Due Within One Year                | 25,000       | 501,950      |
| Grants and Contracts Receivable                       | 950,766      | 95,724       |
| Investments   | 5,564,740    | 5,012,946    |
| Total Assets  | 9,847,760    | 8,903,978    |
| Without Donor Restrictions - Board-Designated         | (172,517)    | (153,988)    |
| With Donor Restrictions - Purpose and Time Restricted | (939,817)    | (1,840,457)  |
| With Donor Restrictions -                             |              |              |
| Donor-Restricted Endowment Fund                       | (271,315)    | (271,315)    |
| Total   | \$ 8,464,111 | \$ 6,638,218 |

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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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

**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, 2021 through June 2, 2022, the date the financial statements were available to be issued.

Based upon this evaluation, other than those disclosed in Notes 16 and 17, the Alliance has determined that no other subsequent events have occurred which require adjustment to or disclosure in the financial statements.

**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, 2021 and 2020, are due within one year.

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

|                        | 2021             | 2020              |
|------------------------|------------------|-------------------|
| Within One Year        | \$ 25,000        | \$ 501,950        |
| Two - Five Years       | 75,000           | -                 |
| Total                  | 100,000          | 501,950           |
| Present Value Discount | (3,875)          | -                 |
| Net                    | <u>\$ 96,125</u> | <u>\$ 501,950</u> |

**NOTE 3 INVESTMENTS**

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

|                           | 2021                | 2020                |
|---------------------------|---------------------|---------------------|
| Equity Mutual Funds       | \$ 3,612,865        | \$ 3,093,241        |
| Fixed Income Mutual Funds | 1,844,355           | 1,831,265           |
| Money Market Funds        | 107,520             | 88,440              |
| Total                     | <u>\$ 5,564,740</u> | <u>\$ 5,012,946</u> |

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 3 INVESTMENTS (CONTINUED)**

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

|             | 2021                          |                            | Total        |
|-------------|-------------------------------|----------------------------|--------------|
|             | Without Donor<br>Restrictions | With Donor<br>Restrictions |              |
| Investments | \$ 5,293,425                  | \$ 271,315                 | \$ 5,564,740 |
|             | 2020                          |                            |              |
|             | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
| Investments | \$ 4,741,631                  | \$ 271,315                 | \$ 5,012,946 |

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

|                        | 2021                          |                            | Total      |
|------------------------|-------------------------------|----------------------------|------------|
|                        | Without Donor<br>Restrictions | With Donor<br>Restrictions |            |
| Interest and Dividends | \$ 82,240                     | \$ 7,327                   | \$ 89,567  |
| Realized Gains         | 251,747                       | 19,985                     | 271,732    |
| Unrealized Gains       | 226,314                       | 10,316                     | 236,630    |
| Investment Expenses    | (41,404)                      | (3,572)                    | (44,976)   |
| Total                  | \$ 518,897                    | \$ 34,056                  | \$ 552,953 |
|                        | 2020                          |                            |            |
|                        | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
| Interest and Dividends | \$ 102,768                    | \$ 7,993                   | \$ 110,761 |
| Realized Gains         | 62,158                        | 5,404                      | 67,562     |
| Unrealized Losses      | 435,958                       | 38,501                     | 474,459    |
| Investment Expenses    | (34,885)                      | (3,506)                    | (38,391)   |
| Total                  | \$ 565,999                    | \$ 48,392                  | \$ 614,391 |

**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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2021:

|                            | Level 1             | Level 2     | Level 3     | Total               |
|----------------------------|---------------------|-------------|-------------|---------------------|
| Investments:               |                     |             |             |                     |
| Equity Mutual Funds:       |                     |             |             |                     |
| Large Cap Growth           | \$ 1,582,544        | \$ -        | \$ -        | \$ 1,582,544        |
| Large Cap Value            | 710,635             | -           | -           | 710,635             |
| Multi Cap Value            | 109,013             | -           | -           | 109,013             |
| Large Cap Blend            | 356,683             | -           | -           | 356,683             |
| Multi Cap Growth           | 47,964              | -           | -           | 47,964              |
| International Equity       | 600,398             | -           | -           | 600,398             |
| Multi Cap Growth           | 205,628             | -           | -           | 205,628             |
| Fixed Income Mutual Funds: |                     |             |             |                     |
| Fixed Income Blend         | 1,844,355           | -           | -           | 1,844,355           |
| Money Market Funds         | 107,520             | -           | -           | 107,520             |
| Total                      | <u>\$ 5,564,740</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,564,740</u> |

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, 2021 AND 2020**

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

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

|  | 2021                | 2020                |
|--|---------------------|---------------------|
| Software   | \$ 1,474,309        | \$ 1,398,097        |
| Furniture and Equipment                            | 277,060             | 277,060             |
| Leasehold Improvements                             | 1,275,047           | 1,275,047           |
| Total Cost   | 3,026,416           | 2,950,204           |
| Less: Accumulated Depreciation<br>and Amortization | (1,981,563)         | (1,885,982)         |
| Total  | <u>\$ 1,044,853</u> | <u>\$ 1,064,222</u> |

Depreciation and amortization expense totaled \$188,939 and \$246,906 for the years ended December 31, 2021 and 2020, respectively.

**NOTE 6 LINE OF CREDIT**

The Alliance has a revolving line of credit with its bank in the amount of \$1,230,00 that is currently extended through March 31, 2022 and subsequently has been renewed through October 30, 2022. The Alliance uses this line of credit for two purposes: 1) \$482,832 is committed as Standby Letters of Credit against the office lease; 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 Bloomberg Short-Term Bank Yield (BSBY) index plus 4.05% as of December 31, 2021. As of December 30, 2020, interest was accrued at the greater of the London Interbank Offered Rate (LIBOR) Daily Floating Rate or the Index Floor plus 1.5%, which together was 4.05%.

In 2020, the Alliance drew \$300,000 from the line of credit. In 2021, the \$300,000 was repaid. Total interest expense associated with the line of credit amounted to \$4,122 and \$265 as of December 31, 2021 and 2020, respectively.

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:

|                            | 2021                | 2020                |
|----------------------------|---------------------|---------------------|
| Membership Dues            | \$ 1,606,674        | \$ 1,477,447        |
| Sponsorships               | 80,933              | 119,668             |
| Exhibit and Other Fees     | 274,429             | 338,233             |
| Registrations              | 215,307             | 336,367             |
| Advertising                | 7,537               | -                   |
| Accreditation and MAP Fees | 151,276             | 117,975             |
| Subscriptions              | 17,365              | 13,781              |
| Total                      | <u>\$ 2,353,521</u> | <u>\$ 2,403,471</u> |

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 7 DEFERRED REVENUE (CONTINUED)**

The deferred revenue relating to sponsorships include those for sponsorships which are accounted for as non-exchange transactions (conditional contributions received in advance) These amounted to \$47,697 and \$86,086 as of December 31, 2021 and 2020, respectively.

**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 \$27,938 and \$33,816 for the years ended December 31, 2021 and 2020, respectively. The Alliance's employer contributions to the plan were suspended as of April 15, 2020 due to the financial impacts of the COVID-19 pandemic and re-implemented on October 15, 2021.

**NOTE 9 CONTRACT REVENUE**

The following table shows the Alliance's contract revenue disaggregated to the timing of the transfer of goods and services:

|  | <u>2021</u>         | <u>2020</u>         |
|--|---------------------|---------------------|
| Revenue Recognized at a Point in Time: |                     |                     |
| Publication Sales                      | <u>\$ 39,404</u>    | <u>\$ 48,872</u>    |
| Revenue Recognized Over Time:          |                     |                     |
| Membership Dues                        | \$ 2,890,003        | \$ 3,321,957        |
| Sponsorships - Museums Advocacy Day    | 47,608              | 47,905              |
| Exhibit and Other Fees                 | 293,650             | 151,950             |
| Registrations                          | 713,341             | 708,883             |
| Advertising                            | 716,247             | 433,081             |
| Accreditation and MAP Fees             | 324,954             | 366,280             |
| Royalties                              | 37,839              | 53,955              |
| Subscriptions                          | 39,319              | 40,107              |
| Total                                  | <u>\$ 5,062,961</u> | <u>\$ 5,124,118</u> |

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 10 CONTRACT ASSETS AND LIABILITIES**

The following table shows the contract assets and liabilities from the various revenue sources during the years ended December 31:

|  | 2021         | 2020         |
|--|--------------|--------------|
| Contract Assets - Accounts Receivable:   |              |              |
| Membership Dues                          | \$ 3,970     | \$ -         |
| Exhibit and Other Fees                   | 600          | 12,450       |
| Registrations                            | 2,665        | -            |
| Advertising                              | 179,326      | 64,259       |
| Royalties                                | 1,000        | 1,000        |
| Publication Sales                        | 12,603       | 10,000       |
| Total                                    | \$ 200,164   | \$ 87,709    |
| Contract Liabilities - Deferred Revenue: |              |              |
| Membership Dues                          | \$ 1,606,674 | \$ 1,477,447 |
| Sponsorships - Museums Advocacy Day      | 33,236       | 33,582       |
| Exhibit and Other Fees                   | 274,429      | 338,233      |
| Registrations                            | 215,307      | 336,367      |
| Advertising                              | 7,537        | -            |
| Accreditation and MAP Fees               | 151,276      | 117,975      |
| Subscriptions                            | 17,365       | 13,781       |
| Total                                    | \$ 2,305,824 | \$ 2,317,385 |

The following table provides information about significant changes in the contract receivables during the years ended December 31:

|  | 2021       | 2020      |
|--|------------|-----------|
| Accounts Receivable, Beginning of Year           | \$ 87,709  | \$ 93,645 |
| Decrease in Receivables Due to Cash Collected    |            |           |
| During the Year for Receivables at the Beginning |            |           |
| Of the Year                                      | (87,709)   | (93,645)  |
| Increase in Receivables Due to Receivables       |            |           |
| Recognized During the Year but not yet Collected | 200,164    | 87,709    |
| Accounts Receivable, End of Year                 | \$ 200,164 | \$ 87,709 |

The following table provides information about significant changes in the contract liabilities during the years ended December 31:

|   | 2021         | 2020         |
|---|--------------|--------------|
| Deferred Revenue, Beginning of Year               | \$ 2,317,385 | \$ 2,845,466 |
| Revenue Recognized that was included in Deferred  |              |              |
| Revenue at the Beginning of the Year              | (2,317,385)  | (2,845,466)  |
| Increase in Deferred Revenue Due to Cash Received |              |              |
| During the Period                                 | 2,305,824    | 2,317,385    |
| Deferred Revenue, End of Year                     | \$ 2,305,824 | \$ 2,317,385 |

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 11 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 extended through December 31, 2020. Security deposit for such sublease was returned to the sublessee in January 2021.

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.

**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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 11 OPERATING LEASES (CONTINUED)**

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

| <u>Year Ending December 31,</u> | <u>Amount</u>       |
|---------------------------------|---------------------|
| 2022                            | \$ 782,913          |
| 2023                            | 806,400             |
| 2024                            | 830,592             |
| 2025                            | 855,510             |
| 2026                            | 881,175             |
| Thereafter                      | 3,881,596           |
| Total                           | <u>\$ 8,038,186</u> |

Rent expense totaled \$760,671 and \$768,506 for the years ended December 31, 2021 and 2020, respectively.

**NOTE 12 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 2024. 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 \$1,600,000 as of December 31, 2021. The Alliance was able to invoke force majeure clauses in all hotel commitments contracted for the 2021 Annual Conference, eliminating liquidated damages totaling \$1,222,184.

**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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 12 COMMITMENTS, RISKS AND UNCERTAINTIES (CONTINUED)**

**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 13 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:

|                                       | 2021       | 2020         |
|---------------------------------------|------------|--------------|
| Purpose Restricted:                   |            |              |
| Diversity in Museum Leadership (DEAI) | \$ 568,948 | \$ 1,425,977 |
| Strategic Plan Initiatives            | 124,000    | -            |
| Audience Building Program             | 64,237     | 101,797      |
| Creative Aging Convenings             | -          | 135,970      |
| Inclusion Innovation Collaborative    | -          | 63,488       |
| Annual Meeting Scholarships           | -          | 12,000       |
| CFM Foresight Scholarship             | -          | 1,500        |
| Special Membership Program            | -          | 1,150        |
| Total Purpose Restricted              | 757,185    | 1,741,882    |
| Time Restricted                       | 182,632    | 98,575       |
| Total                                 | \$ 939,817 | \$ 1,840,457 |

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 14 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:

|                                       | 2021         | 2020         |
|---------------------------------------|--------------|--------------|
| Purpose Restricted:                   |              |              |
| Diversity in Museum Leadership (DEAL) | \$ 1,058,186 | \$ 1,542,489 |
| Audience Building Program             | 137,559      | 208,560      |
| Creative Aging Convenings             | 135,970      | 55,046       |
| Fellowship Program                    | 100,000      | 85,000       |
| Inclusion Innovation Collaborative    | 63,488       | 61,512       |
| Strategic Planning Initiatives        | 23,000       | -            |
| Annual Meeting Scholarship            | 12,000       | 18,000       |
| CFM Foresight Scholarship             | 2,000        | -            |
| Special Membership program            | 1,150        | 8,850        |
| Museum Economic Impact Analysis       | -            | 8,447        |
| Children's Museum                     | -            | 7,798        |
| Total Purpose Restricted              | 1,533,353    | 1,995,702    |
| Time Restricted                       | 98,845       | 40,555       |
| Total                                 | \$ 1,632,198 | \$ 2,036,257 |

**NOTE 15 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  
DECEMBER 31, 2021 AND 2020**

**NOTE 15 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, 2021 and 2020, there was no deficiency.

**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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 15 ENDOWMENT FUNDS (CONTINUED)**

**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, 2021, the endowment net asset composition by type of fund was as follows:

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                    |
|--|-------------------------------|----------------------------|--------------------------|
| Endowment Net Assets, January 1, 2021                | \$ 153,988                    | \$ 271,315                 | \$ 425,303               |
| Interest and Dividends, Net of Investment<br>Expense | 2,132                         | 3,756                      | 5,888                    |
| Net Realized and Unrealized Gains                    | <u>17,197</u>                 | <u>30,300</u>              | <u>47,497</u>            |
| Total Investment Return                              | 19,329                        | 34,056                     | 53,385                   |
| Contributions Amount Appropriated for<br>Expenditure | <u>(800)</u>                  | <u>(34,056)</u>            | <u>(34,856)</u>          |
| Endowment Net Assets, December 31, 2021              | <u><u>\$ 172,517</u></u>      | <u><u>\$ 271,315</u></u>   | <u><u>\$ 443,832</u></u> |

Donor-Restricted Endowment Fund Net Assets:

|   |                          |
|---|--------------------------|
| The Portion of Perpetual Endowment Funds<br>that is Required to be Retained Permanently,<br>Either by Explicit Donor Stipulation or by UPMIFA | <u><u>\$ 271,315</u></u> |
|---|--------------------------|

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

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

Donor-Restricted Endowment Fund Net Assets:

|   |                          |
|---|--------------------------|
| The Portion of Perpetual Endowment Funds<br>that is Required to be Retained Permanently,<br>Either by Explicit Donor Stipulation or by UPMIFA | <u><u>\$ 271,315</u></u> |
|---|--------------------------|

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 16 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 (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. 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.

On February 12, 2021, the Alliance received proceeds in the amount of \$742,752 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the PPP Loan. The PPP Loan may be forgiven by the SBA subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. This represents the Alliance's second draw from the program. On March 26, 2022, the SBA processed the Alliance's PPP Loan forgiveness application and notified Bank of America the PPP Loan qualified for full forgiveness. Loan proceeds were received by the bank from the SBA on this date.

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 \$747,752 and \$767,091 of contributions related to this agreement during the year ended December 31, 2021 and 2020, respectively, which represents the PPP Loan funds for which the performance barriers have been met. The contributions recognized is presented as part of Contributions and Sponsorships revenue in the statements of activities.

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.

**AMERICAN ALLIANCE OF MUSEUMS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 17 EMPLOYEE RETENTION CREDIT PROGRAM**

On February 23, 2022, the Alliance filed for credits totaling \$695,151 towards qualified wages paid during January 1, 2021 through September 30, 2021 to offset a significant decline in gross receipts through the Employee Retention Credit (ERC) program, a federal program authorized under the CARES Act of 2020.

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. The Alliance recognized \$695,151 of contributions related to this program during the year ended December 31, 2021, which represents the ERC program funds for which the performance barriers have been met. This is included in the Contributions and Sponsorships revenue in the 2021 statement of activities. As of December 31, 2021, the total credits are recorded as a receivable on the statement of financial position, with payment expected within one year.

Eligibility and conditions for the ERC program may be audited by the IRS. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Alliance's financial position.