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FINANCIAL REPORT

AMERICAN ALLIANCE OF MUSEUMS

YEARS ENDED DECEMBER 31, 2022 AND 2021

AMERICAN ALLIANCE OF MUSEUMS

FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
American Alliance of Museums
Arlington, Virginia

Opinion

We have audited the accompanying financial statements of American Alliance of Museums (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1, the Alliance changed its method of accounting for leases in 2022 due to the adoption of Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842*), and the related amendments. Our opinion is not modified with respect to that matter.

Prior Year Financial Statements

The December 31, 2021 financial statements of American Alliance of Museums were audited by other auditors, whose report dated June 2, 2022 expressed an unmodified opinion of those financial statements.

Responsibilities of Management 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; 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 within one year after the date that the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the 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 American Alliance of Museums' 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 American Alliance of Museums' 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.

Thompson Greenspon

Fairfax, Virginia
May 24, 2023

AMERICAN ALLIANCE OF MUSEUMS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Assets		
Cash and cash equivalents	$ 1,729,626	$ 3,038,778
Accounts receivable, net allowance for doubtful accounts	128,140	268,476
Grants and contributions receivable, net	1,356,714	1,046,891
Other receivable	55,090	-
Inventory	42,621	45,717
Prepaid expenses and deposits	315,895	395,660
Investments	6,009,491	5,564,740
Property and equipment, net	943,323	1,044,853
Finance lease right-of-use asset	4,047	-
Operating lease right-of-use asset	5,352,416	-
Total Assets	$ 15,937,363	$ 11,405,115
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 398,001	$ 664,808
Deferred revenue	2,809,624	2,353,521
Deferred rent and leasehold incentive liability	-	1,498,668
Finance lease liability	4,047	-
Operating lease liability	6,789,461	-
Total Liabilities	10,001,133	4,516,997
Net Assets		
Without donor restrictions		
Undesignated	4,769,698	5,504,469
Board-designated endowment	138,887	172,517
Total Net Assets Without Donor Restrictions	4,908,585	5,676,986
With donor restrictions	1,027,645	1,211,132
Total Net Assets	5,936,230	6,888,118
Total Liabilities and Net Assets	$ 15,937,363	$ 11,405,115

The Notes to Financial Statements are an integral part of these statements.

AMERICAN ALLIANCE OF MUSEUMS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Membership dues	$ 3,062,886	$ -	$ 3,062,886	$ 2,890,003	$ -	$ 2,890,003
Contributions and sponsorships	724,993	594,132	1,319,125	1,617,062	498,657	2,115,719
Exhibit and other fees	1,430,082	-	1,430,082	293,650	-	293,650
Registrations	1,342,735	-	1,342,735	713,341	-	713,341
Grants and contracts	688,267	-	688,267	678,839	-	678,839
Advertising income	820,730	-	820,730	716,247	-	716,247
Accreditation and MAP fees	463,047	-	463,047	324,954	-	324,954
Royalties	24,048	-	24,048	37,839	-	37,839
Publication sales	85,917	-	85,917	39,404	-	39,404
Other	30,285	-	30,285	3,622	-	3,622
Subscriptions	39,760	-	39,760	39,319	-	39,319
In-Kind contributions	101,661	-	101,661	101,812	-	101,812
Employee retention credit, CARES Act	84,437	-	84,437	695,151	-	695,151
Appropriation of accumulated earnings	-	17,665	17,665	-	18,344	18,344
Net assets released from restrictions	705,305	(705,305)	-	1,433,353	(1,433,353)	-
Total Revenue and Support	9,604,153	(93,508)	9,510,645	9,584,596	(916,352)	8,668,244
Expenses						
Programs						
Field-wide services	2,141,029	-	2,141,029	2,776,044	-	2,776,044
Meetings and professional education	2,171,618	-	2,171,618	698,525	-	698,525
Membership	493,372	-	493,372	370,285	-	370,285
Publications and business enterprises	748,918	-	748,918	620,042	-	620,042
Advocacy	363,141	-	363,141	345,759	-	345,759
Center for the Future of Museums	157,590	-	157,590	116,292	-	116,292
Total Program Services	6,075,668	-	6,075,668	4,926,947	-	4,926,947
Supporting services						
Management and general	2,521,408	-	2,521,408	2,271,582	-	2,271,582
Development and fundraising	642,418	-	642,418	663,242	-	663,242
Total Supporting Services	3,163,826	-	3,163,826	2,934,824	-	2,934,824
Total Expenses	9,239,494	-	9,239,494	7,861,771	-	7,861,771
Change in Net Assets from Operations	364,659	(93,508)	271,151	1,722,825	(916,352)	806,473
Investment (loss) income	(1,001,786)	(72,314)	(1,074,100)	518,897	34,056	552,953
Appropriation of accumulated earnings	-	(17,665)	(17,665)	-	(18,344)	(18,344)
Change in Net Assets Before Provision for Income Taxes	(637,127)	(183,487)	(820,614)	2,241,722	(900,640)	1,341,082
Provision for Income Taxes	(131,274)	-	(131,274)	(122,813)	-	(122,813)
Change in Net Assets After Provision for Income Taxes	(768,401)	(183,487)	(951,888)	2,118,909	(900,640)	1,218,269
Net Assets, beginning of year	5,676,986	1,211,132	6,888,118	3,558,077	2,111,772	5,669,849
Net Assets, end of year	$ 4,908,585	$ 1,027,645	$ 5,936,230	$ 5,676,986	$ 1,211,132	$ 6,888,118

The Notes to Financial Statements are an integral part of these statements.

AMERICAN ALLIANCE OF MUSEUMS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Programs							Supporting Servies			
	Field-Wide Services	Meetings and Professional Education	Membership	Publications and Business Enterprises	Advocacy	Center for the Future of Museums	Total	Management and General	Development and Fundraising	Total	Total
Personnel	$ 1,174,069	$ 250,351	$ 315,842	$ 221,632	$ 238,221	$ 113,571	$ 2,313,686	$ 1,333,829	$ 527,917	$ 1,861,746	$ 4,175,432
Contractors	527,759	450,318	23,393	215,161	51,406	1,113	1,269,150	510,327	32,925	543,252	1,812,402
Occupancy	174,674	320,920	75,218	40,952	30,087	36,773	678,624	334,902	51,817	386,719	1,065,343
Travel	46,173	91,703	5,590	-	100	-	143,566	11,875	4,289	16,164	159,730
Food and beverage	24,437	479,654	-	128	-	632	504,851	6,696	-	6,696	511,547
Printing, postage and freight	43,494	4,671	54,970	113,498	250	40	216,923	3,181	1,290	4,471	221,394
Supplies, equipment and equipment rental	29,074	423,735	2,081	2,643	1,406	626	459,565	9,481	2,334	11,815	471,380
Depreciation and amortization	51,934	45,257	10,560	15,840	7,707	3,406	134,704	56,856	13,631	70,487	205,191
Bank fees, taxes and licenses	-	585	-	-	-	-	585	342,783	-	342,783	343,368
Scholarships and awards	8,000	16,750	-	-	-	-	24,750	-	-	-	24,750
Other expenses	400	1,591	139	630	-	-	2,760	14,175	274	14,449	17,209
Communications	12,712	63,218	2,955	28,432	2,156	953	110,426	15,907	3,814	19,721	130,147
Cost of goods sold	-	-	-	5,808	-	-	5,808	-	-	-	5,808
Professional development	1,704	-	1,148	319	30,731	-	33,902	4,726	2,222	6,948	40,850
Honoraria	40,250	-	-	-	-	-	40,250	-	-	-	40,250
Insurance	6,349	22,865	1,476	2,214	1,077	476	34,457	7,944	1,905	9,849	44,306
Services in-kind	-	-	-	101,661	-	-	101,661	-	-	-	101,661
Total Expenses	2,141,029	2,171,618	493,372	748,918	363,141	157,590	6,075,668	2,652,682	642,418	3,295,100	9,370,768
Less, Expenses included on the Statement of Activities											
Provision for income taxes	-	-	-	-	-	-	-	(131,274)	-	(131,274)	(131,274)
Total Expenses By Function	$ 2,141,029	$ 2,171,618	$ 493,372	$ 748,918	$ 363,141	$ 157,590	$ 6,075,668	$ 2,521,408	$ 642,418	$ 3,163,826	$ 9,239,494

The Notes to Financial Statements are an integral part of this statement.

AMERICAN ALLIANCE OF MUSEUMS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Programs							Supporting Servies			
	Field-Wide Services	Meetings and Professional Education	Membership	Publications and Business Enterprises	Advocacy	Center for the Future of Museums	Total	Management and General	Development and Fundraising	Total	Total
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	200,177	47,619	47,619	59,083	31,746	22,928	409,172	280,952	70,547	351,499	760,671
Bank fees, taxes and licenses	-	120	-	-	-	-	120	281,161	30	281,191	281,311
Printing, postage and freight	37,406	13,341	46,984	91,831	68	1	189,631	2,342	3,645	5,987	195,618
Depreciation and amortization	65,689	16,529	8,762	14,672	8,182	2,752	116,586	56,659	15,694	72,353	188,939
Travel	125,620	6,146	-	-	-	-	131,766	1,186	1,920	3,106	134,872
Scholarships and awards	99,313	18,525	-	-	-	-	117,838	-	-	-	117,838
Services in-kind	-	-	-	101,812	-	-	101,812	-	-	-	101,812
Communications	19,427	4,888	2,591	28,339	2,420	814	58,479	16,758	4,641	21,399	79,878
Supplies, equipment and equipment rental	23,788	8,198	1,667	2,792	1,646	524	38,615	10,925	3,088	14,013	52,628
Professional development	3,709	-	-	678	31,678	59	36,124	4,748	1,257	6,005	42,129
Insurance	9,645	2,427	1,286	2,154	1,201	404	17,117	8,320	2,304	10,624	27,741
Scholarships and awards	1,365	-	-	-	-	2,000	3,365	2,998	-	2,998	6,363
Other expenses	1,323	-	-	792	-	-	2,115	9,702	-	9,702	11,817
Cost of goods sold	-	-	-	1,881	-	-	1,881	-	-	-	1,881
Food and beverage	59	66	-	-	-	-	125	909	-	909	1,034
Total Expenses	2,776,044	698,525	370,285	620,042	345,759	116,292	4,926,947	2,394,395	663,242	3,057,637	7,984,584
Less, Expenses included on the Statement of Activities Provision for income taxes	-	-	-	-	-	-	-	(122,813)	-	(122,813)	(122,813)
Total Expenses By Function	$ 2,776,044	$ 698,525	$ 370,285	$ 620,042	$ 345,759	$ 116,292	$ 4,926,947	$ 2,271,582	$ 663,242	$ 2,934,824	$ 7,861,771

The Notes to Financial Statements are an integral part of this statement.

AMERICAN ALLIANCE OF MUSEUMS

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (951,888)	$ 1,218,269
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	205,191	188,939
Amortization of right-of-use assets	617,783	-
Increase (decrease) in operating lease liability	(674,041)	-
Net realized and unrealized losses (gains) on sales of investments	1,145,093	(508,362)
(Increase) Decrease in		
Accounts receivable, net of allowance for doubtful accounts	140,336	(151,197)
Grants and contributions receivable	(309,823)	(449,217)
Other receivable	(55,090)	-
Inventory	3,096	1,818
Prepaid expenses and deposits	79,765	(58,235)
Increase (Decrease) in		
Accounts payable and accrued expenses	(266,807)	265,567
Deferred revenue	456,103	(49,950)
Funds held on behalf of others	-	(39,136)
Deferred rent and leasehold incentive liability	-	(42,795)
Net Cash Provided by Operating Activities	389,718	375,701
Cash Flows from Investing Activities		
Payments for the purchase of property and equipment	(103,661)	(169,570)
Purchase of investments	(7,821,362)	(962,766)
Proceeds from sale of investments	6,231,518	919,334
Net Cash Used by Investing Activities	(1,693,505)	(213,002)
Cash Flows from Financing Activities		
Payments on financing lease	(5,365)	-
Payments on line of credit	(375,000)	(300,000)
Proceeds from line of credit	375,000	-
Net Cash Used by Financing Activities	(5,365)	(300,000)
Net Decrease in Cash and Cash Equivalents	(1,309,152)	(137,301)
Cash and Cash Equivalents, beginning of year	3,038,778	3,176,079
Cash and Cash Equivalents, end of year	$ 1,729,626	$ 3,038,778
Non-Cash Investing and Finance Activities		
Initial recognition of right-of-use asset	$ (5,974,246)	$ -
Derecognition of deferred rent	$ (1,498,668)	$ -
Initial recognition of lease liability	$ 7,472,914	$ -
Supplemental Disclosure of Cash Flow Information		
Taxes paid	$ 191,832	$ 55,316

The Notes to Financial Statements are an integral part of these statements.

1. **ORGANIZATION AND 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 champion equitable and impactful museums by connecting people, fostering learning and community, and nurturing museum excellence. 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.

Program Services

The Alliance allocated their resources among the following programs and supporting services:

Field-Wide Services – include those services which directly address the Alliance's commitment to championing equitable and impactful museums and nurturing the highest standards of museum excellence. Programs included the Continuum of Excellence (Accreditation, Museum Assessment Program, and Core Documents Verification), DEAI and Anti-Racism, Professional Networks, and grant-funded initiatives.

Meetings and Professional Education – captures the Alliance's commitment to the museum community. The Alliance's annual meeting is the largest cultural meeting that brings together all disciplines of museum management, and represents the broad spectrum of the Alliance members, from aquariums and art museums to science centers and zoos. The meeting is also the largest exposition of its kind featuring companies and products serving the museum industry.

Membership – is the hub of the Alliance's customer service center for member inquiries and assistance, and the coordination of member benefits.

Publications and Business Enterprises – includes titles developed and sold through the Alliance Bookstore, in partnership with the Alliance's co-publisher, as well as Museum Magazine, and the Alliance's job board.

Advocacy – efforts ensure that museums' stories are told to policymakers, the press, and the public. Activities include Museums Advocacy Day, monthly Advocacy Alerts, and publications that encourage museums to speak up for themselves and the field.

Center for the Future of Museums – helps museums navigate the future through blog posts, annual publication of economic and cultural trends, and specialized reports and research.

Management and General – includes administrative and operational areas such as administration, finance, human resources, and information technology.

Development and Fundraising – efforts focus on providing support for the Alliance's programs, mission, and strategic framework through fostering individual giving, in addition to corporate, foundation, and government grant support.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include demand deposits and all highly liquid debt instruments with original maturities of three months or less.

The Alliance maintains its cash balances with various financial institutions which, at times, may exceed federally insured limits of $250,000. The Alliance has not experienced any losses from such accounts. Certain bank accounts are limited with regards to withdrawal restrictions and minimum balance requirements.

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. As of December 31, 2022 and 2021, an allowance for doubtful accounts of $4,944 and $3,675 have been established, respectively.

Grants and Contributions Receivable

Grants and contributions receivable represent amounts committed by donors or grantors that have not been received by the Alliance as of the statements of financial position date. Grants and contributions receivable are stated at their net realizable present value. Grants and contributions to be received after one year are discounted at a rate commensurate with the risk involved. Accretion of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. The allowance for doubtful accounts is determined based upon annual review of account balances, including the age of the balance and historical experience with the donor. As of December 31, 2022 and 2021, grants and contributions receivable are considered by management to be fully collectible; therefore, no allowance for doubtful accounts is considered necessary.

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.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Interest, dividends, and unrealized and realized gains (losses) are netted with investment fees and are included in investment income (loss), in the accompanying statements of activities and changes in net assets. Interest and investment income are recorded as revenue when earned. Investment income (loss) is recorded as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Investments (continued)

The Alliance invests in investment securities, which are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the statements of financial position.

Fair Value Measurement

The Alliance complies with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances the disclosure requirements for fair value measurements.

Property and Equipment

Property and equipment are carried at cost. Major additions, replacements, and betterments with costs of at least $5,000 and lives greater than one year are capitalized, while repairs and maintenance are expensed. Depreciation and amortization is computed using the straight-line method over the estimated useful lives ranging from three to ten years. Leasehold improvements are recorded at cost and amortized over the lessor of the useful life or the remaining life of the lease.

Expenditures for maintenance and repairs that do not materially extend the useful lives of property and equipment are charged to expense when incurred. When property or equipment is sold or otherwise disposed of, the cost and accumulated depreciation are removed from the respective accounts with the resulting gain or loss reflected in the change in net assets.

Paycheck Protection Program Loan

As described in Note 13, the Alliance received a Paycheck Protection Program (PPP) loan. The Alliance accounts for the loan under FASB ASC Topic 958-605 as a conditional contribution in the financial statements.

Net Assets

Net assets, revenue and support, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions and may be expended for any purpose in performing the primary objectives of the Alliance. These net assets may be used at the discretion of the Alliance, management and the Board of Directors. Board-designated net assets are classified as net assets without donor restrictions. Net assets without donor restrictions also includes contributions received with donor-imposed restrictions that are met in the same reporting period that they are received.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Net Assets (continued)

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue Recognition

The Alliance recognizes revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. ASC Topic 606 provides a five-step model for recognizing revenue:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue

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.

Sponsorship Agreements – Some 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 the sponsored event, revenue is recognized in the month of the event.

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

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

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Revenue Recognition (continued)

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 information below:

Printed Magazine	Month preceding issue to coincide with printing expense
Annual Meeting Program	Month of annual meeting
Electronic	Month of online ad
Job Board	Month of online ad
Museum Marketplace 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 pro rata 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.

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.

Subscriptions – Subscription revenue is considered an exchange transaction, and revenue is recognized ratably throughout the subscription period. The revenue is recognized over time.

Support Revenue

The Alliance recognizes all unconditional contributions and grants at the earlier of when pledged or received. Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are reported as support without donor restrictions and an increase in net assets without donor restrictions. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Support Revenue (continued)

Contributed property and equipment are recorded at fair value at the date of donation. Revenue recognized on grants and contributions that have been committed to the Alliance, but have not been received, are reflected as part of grants and contributions receivable in the accompanying statements of financial position. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at their present value using appropriate discount rates. Amortization of the discount is recorded as additional contribution revenue and is used in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Any amounts received in advance of meeting conditions are included in deferred revenue on the statements of financial position.

Support revenue includes revenue in the contributions and sponsorships; and grants and contracts categories.

Sponsorship Agreements – Some sponsorships are considered conditional contributions where organizations pay a sponsorship fee based on selected sponsorship levels, the condition being the occurrence of the event. Benefits received are considered nominal and limited to some minimal name recognition. The condition is met at the time of the event.

Grants and Contracts – The Alliance receives cooperative contracts and grant awards from Federal government agencies. 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.

Employee Retention Credit

The Alliance applies the FASB ASC Topic 958-605 model to accounting for employee retention credits (ERCs) and recognizes the related revenue (credits) when conditions (barriers) are substantially met.

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.

During the years ended December 31, 2022 and 2021, the Alliance received donated advertising services. All donated services received are without donor restrictions. Advertising services are used in Publications and Business Enterprises program activities and valued at their commensurate rate charged for their services to others.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain expenses have been allocated proportionately among the programs and supporting services to which they relate. Other costs, which are directly attributable to a specific program or supporting services activity, are charged directly to that program or supporting services activity.

The expenses that are allocated based on estimates of time and effort include personnel, supplies, equipment, equipment rental, depreciation and amortization, bank fees and licenses, communications, and insurance. Occupancy is allocated on a square footage basis.

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.

Income Taxes

The Alliance is a 501(c)(3) organization that is exempt from Federal income taxes under the provisions of Internal Revenue Code Section 501(a), except for income unrelated to their exempt purpose. The Alliance is classified as an organization that is not a private foundation and qualifies for charitable contribution deductions. The Alliance's primary source of unrelated business income is advertising in its periodicals and in its online job-posting forum. The Alliance is subject to Federal and Virginia income taxes on its unrelated business activities. For the years ended December 31, 2022 and 2021, the provision for income taxes totaled $131,274 and $122,813, respectively. As of December 31, 2022 and 2021, accrued expenses of $7,759 and $98,541 is related to income taxes, respectively.

Accounting for Uncertain Tax Provisions

The Alliance complies with the provisions of FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes,* which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management evaluated the Alliance’s tax positions and concluded that the Alliance had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. For the years ended December 31, 2022 and 2021, no unrecognized tax provision or benefit exists in the accompanying financial statements.

Financial Statement Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from the estimates that were used.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Adoption of New Accounting Standards

ASU 2020-07

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard is effective for annual reporting periods beginning after June 15, 2021. The standard requires separate presentation of contributions of nonfinancial assets (including in-kind contributions) on the statement of activities and changes in net assets, as well as additional disclosures related to how they are valued and used. The Alliance adopted the standard on a retrospective basis for the year ended December 31, 2022. Accordingly, the separate presentation and additional disclosures have also been presented for the year ended December 31, 2021. There was no change in the recognition or measurement of the nonfinancial assets for either year.

Leases

Adoption of New Accounting Standards – Leases

ASU 2016-02

On January 1, 2022, the Alliance adopted the requirements of Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (ASC Topic 840) is the recognition of a right-of-use (ROU) asset and lease liability on the balance sheet. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Alliance was required to measure and recognize leases that existed at January 1, 2022 using a modified retrospective approach. For leases existing at the effective date, the Alliance elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost.

The adoption of Topic 842 resulted in the recognition of an operating ROU asset and operating lease liability of $5,964,834 and $7,463,502, respectively, as of January 1, 2022.

The adoption of Topic 842 did not have a material impact with regard to finance ROU assets and liabilities as of January 1, 2022.

Leases Accounting Policy

At lease inception, the Alliance determines whether an arrangement is or contains a lease. Operating leases are included in operating lease ROU assets, and operating lease liabilities in the financial statements. Finance leases are included in finance lease ROU assets, and finance lease liabilities in the financial statements.

ROU assets represent the Alliance's right to use leased assets over the term of the lease. Lease liabilities represent the Alliance's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term.

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Leases (continued)

Leases Accounting Policy (continued)

The Alliance uses the rate implicit in the lease if it is readily determinable. Topic 842 includes an accounting policy election for non-public business entities to use the risk-free rate for the measurement of lease liabilities when the rate implicit in the lease is not determinable. The Alliance elected to utilize the risk-free rate for the measurement of lease liabilities for initial transition and going forward. This rate will be applied to all leases using a period comparable to the lease.

Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to the Alliance if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. The Alliance has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short-term leases is included in occupancy expense in the statements of functional expenses.

For finance leases, after lease commencement the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset associated with finance leases, which is included in finance lease ROU asset, is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the ROU asset, or (2) the end of the lease term.

To the extent a lease arrangement includes both lease and non-lease components, the Alliance has elected to account for the components as a single lease component.

Deferred Rent

Through December 31, 2021, deferred rent was recorded and amortized to the extent the total minimum rental payments allocated to the current period on a straight-line basis exceed, or were less than, the cash payments required.

Reclassifications

Certain items in the December 31, 2021 financial statements have been reclassified to conform to the December 31, 2022 financial statement presentation. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The date to which events occurring after December 31, 2022, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is May 24, 2023, which is the date on which the financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY

The financial assets and liquidity resources available within one year of the statement of financial position date for general expenditure, were as follows at December 31:

	2022	2021
Cash and cash equivalents	$ 1,729,626	$ 3,038,778
Accounts receivable, net	128,140	268,476
Grants and contributions receivable, net	1,356,714	1,046,891
Investments	6,009,491	5,564,740
Financial assets, at year end	9,223,971	9,918,885
Less those unavailable for general expenditures within one year:		
Without donor-restrictions - Board Designated	(138,887)	(172,517)
With donor restrictions	(1,027,645)	(1,211,132)
Financial assets available to meet cash needs for general expenditures within one year	$ 8,057,439	$ 8,535,236

The Alliance regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Alliance has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, grants and contributions receivable, and investments.

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.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Alliance considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Alliance operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable as of December 31 are expected to be received as follows:

	2022	2021
Receivable in less than one year	$ 1,213,751	$ 975,766
Receivable in one to five years	150,000	75,000
Grants and contributions receivable	1,363,751	1,050,766
Less: discount	(7,037)	(3,875)
	1,356,714	1,046,891
Less: allowance	-	-
Totals	$ 1,356,714	$ 1,046,891

Grants and contributions with payments that are to be received in future years have been discounted to their present value using an effective interest rate based on the IRS historical discount rate.

4. **INVESTMENTS**

FASB ASC Topic 820, *Fair Value Measurements and Disclosures,* provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 – inputs to the valuation methodology are based upon unadjusted quoted prices for identical assets or liabilities in active markets that the Alliance has the ability to access.

Level 2 – inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities measured at fair value are based on one or more of three valuation techniques (market, cost, or income approach). The market approach evaluates prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The cost approach evaluates the amount that would be required to replace the service capacity of an asset (i.e., replacement cost). The income approach uses techniques that convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing models, and lattice models).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following describes the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Mutual funds and money market funds: Comprised of securities that are listed on a national market or exchange and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Alliance believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

4. **INVESTMENTS** (continued)

The following tables set forth by level, within the fair value hierarchy, the Alliance's assets at fair value as of December 31:

	2022			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	$ 3,439,436	$ -	$ -	$ 3,439,436
Fixed Income Mutual Funds	2,483,742	-	-	2,483,742
Money Market Funds	86,313	-	-	86,313
	$ 6,009,491	$ -	$ -	$ 6,009,491

	2021			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	$ 3,612,865	$ -	$ -	$ 3,612,865
Fixed Income Mutual Funds	1,844,355	-	-	1,844,355
Money Market Funds	107,520	-	-	107,520
	$ 5,564,740	$ -	$ -	$ 5,564,740

Investment (loss) income consists of the following for the years ended December 31:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 113,773	$ 7,354	$ 121,127
Realized gains	602,983	43,068	646,051
Unrealized losses	(1,671,740)	(119,404)	(1,791,144)
Investment expenses	(46,802)	(3,332)	(50,134)
Total	$ (1,001,786)	$ (72,314)	$ (1,074,100)

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
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

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consists of the following:

	2022	2021
Software	$ 1,541,959	$ 1,474,309
Furniture and equipment	273,088	277,060
Leasehold improvements	1,275,047	1,275,047
Totals	3,090,094	3,026,416
Less: Accumulated depreciation and amortization	(2,146,771)	(1,981,563)
Totals	$ 943,323	$ 1,044,853

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 was $205,191 and $188,939, respectively.

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 October 30, 2023. The Alliance uses this line of credit for two purposes: 1) $482,832 is committed as Standby Letters of Credit against the office lease; and 2) the remaining balance is available as a short-term borrowing facility to supplement the cash available to fund its operations. As of December 31, 2022 and 2021, amounts drawn on the line of credit accrue interest at the Bloomberg Short-Term Bank Yield (BSBY) index plus 2.35 percent and 4.05 percent, respectively.

For the years ended December 31, 2022 and 2021, total interest expense associated with the line of credit amounted to $2,871 and $4,122, respectively. The line of credit is secured by the Alliance's investments.

7. DEFERRED REVENUE

Deferred revenue consisted of the following as of December 31:

	2022	2021
Membership dues	$ 2,064,687	$ 1,606,674
Sponsorships	83,474	80,933
Exhibit and other fees	273,870	274,429
Registration	117,588	215,307
Advertising income	7,458	7,537
Accreditation and MAP fees	244,384	151,276
Subscriptions	18,163	17,365
Totals	$ 2,809,624	$ 2,353,521

The deferred revenue relating to sponsorships include those for sponsorships which are accounted for as non-exchange transactions (conditional contributions received in advance) amounted to $58,935 and $20,000 as of December 31, 2022 and 2021, respectively.

8. CONTRACT REVENUE

The following table shows the Alliance's contract revenue disaggregated to the timing of the transfer of good and services for the years ended December 31:

	2022	2021
Revenue recognized at a point in time:		
Exhibit and other fees	$ 1,430,082	$ 293,650
Registrations	1,342,735	713,341
Advertising income	795,660	695,536
Sponsorships	107,931	47,608
Publication sales	85,917	39,404
Total revenue recognized at a point in time	$ 3,762,325	$ 1,789,539
Revenue recognized over time:		
Membership dues	$ 3,062,886	$ 2,890,003
Accreditation and MAP fees	463,047	324,954
Subscriptions	39,760	39,319
Royalties	24,048	37,839
Advertising income	25,070	20,711
Total revenue recognized over time	$ 3,614,811	$ 3,312,826

As of December 31, 2022 and 2021, accounts receivable of $128,140 and $268,476 was related to contract revenue, respectively. As of December 31, 2022 and 2021, deferred revenue of $2,750,689 and $2,333,521 was related to contract revenue, respectively. As of January 1, 2021, accounts receivable and deferred revenue were $117,279 and $2,317,385, respectively.

9. LEASES

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 percent 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. 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.

United Business Technologies/Canon Financial Services Lease – In December 2018, the Alliance entered into a lease agreement for office equipment including three Canon copiers and scanners and one fax board. The lease commenced on January 1, 2019, and terminates December 31, 2023. The lease includes a renewal option under the same terms and conditions. Monthly payments during the life of the lease are $465.

Neopost Mid Atlantic Lease – In October 2017, the Alliance entered into a lease agreement for office postage equipment, including label printer, mail scale, computer equipment and software equipped with address verification and online postal rates meter. The lease commenced on June 18, 2018, and terminates September 17, 2023. The lease includes a renewal option with equipment upgrade up to 6 months prior to the end of the lease term. Monthly payments during the life of the lease are $451.

9. **LEASES** (continued)

The Alliance leases equipment, office space and facilities. The initial lease terms for most office space and facilities vary in length between 5 to 16 years and typically include renewal options for up to an additional 5 years. The Alliance is responsible for its share of operating charges and real estate taxes, which are included in the variable rent costs reported below. Lease expense for office space and equipment for the years ended December 31, 2022 approximated $645,379.

Certain lease agreements include variable payments based on a percentage of use over contractual levels, which are not determinable at the lease commencement and are not included in the measurement of the lease asset and liabilities. The Alliance's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease expense were as follows for the year ended December 31, 2022:

Finance lease expense	
Amortization of ROU assets included in depreciation and amortization	$ 5,365
Interest on finance lease liabilities	48
Total finance lease expense	5,413
Operating lease expense	612,418
Short-term lease expense	-
Variable lease expense	27,548
Sublease income	-
Total lease costs	$ 645,379

Minimum lease commitments represent the future amounts to be paid on various lease commitments. The minimum lease commitments, excluding renewal terms, by years, are as follows at December 31, 2022:

Year ending December 31:	Operating Leases	Finance Leases
2023	$ 811,980	$ 4,059
2024	830,592	-
2025	855,510	-
2026	881,175	-
2027	907,610	-
Thereafter	2,973,986	-
Total undiscounted cash flows	7,260,853	4,059
Less: present value discount	(471,392)	(12)
Total lease liabilities	$ 6,789,461	$ 4,047

9. **LEASES** (continued)

The following summarizes the weighted average remaining lease term, discount rate and other supplemental cash flow information as of and for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases (i.e., interest)	$ 48
Financing cash flows from finance leases (i.e., principal portion)	$ 5,365
Operating cash flows from operating leases	$ 788,493
ROU assets obtained in exchange for new finance lease liabilities	$ 9,412
ROU assets obtained in exchange for new operating lease liabilities	$ 5,964,834
Weighted-average remaining lease term in years for finance leases	0.83
Weighted-average remaining lease term in years for operating leases	8.08
Weighted-average discount rate for finance leases	0.69%
Weighted-average discount rate for operating leases	1.60%

As of December 31, 2022 the Alliance has no operating or finance leases that have not yet commenced.

Rent expense for the year ended December 31, 2021 amounted to $760,671. Future gross minimum lease payments under noncancelable operating leases is as follows at December 31, 2021:

Year ending December 31:	
2022	$ 782,913
2023	806,400
2024	830,592
2025	855,510
2026	881,175
Thereafter	3,881,596
Total	$ 8,038,186

10. **NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were composed of the following as of December 31:

	2022	2021
Diversity in Museum Leadership (DEAI)	$ 428,349	$ 568,948
Endowment	280,987	370,966
Strategic planning initiatives	175,000	124,000
Audience building program	74,664	64,237
Accreditiation activities	50,645	32,981
Annual meeting scholarship	18,000	-
Annual meeting	-	50,000
Totals	$ 1,027,645	$ 1,211,132

10. **NET ASSETS WITH DONOR RESTRICTIONS** (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

	2022	2021
Diverse in Museum Leadership (DEAI)	$ 441,732	$ 1,058,186
Strategic planning initiatives	124,000	23,000
Audience building program	89,573	137,559
Annual meeting	50,000	-
Endowment - appropriations	17,665	18,344
Creative aging convenings	-	135,970
Inclusion innovation collaborative	-	63,488
Annual meeting scholarship	-	12,000
CFM foresight scholarship	-	2,000
Special membership program	-	1,150
Totals	$ 722,970	$ 1,451,697

11. **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.

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.

11. **ENDOWMENT FUNDS** (continued)

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 (underwater endowments). The Alliance has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2022 and 2021, 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 percent over the Consumer Price Index and 1 percent 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 range of 0 to 15 percent for cash and cash equivalents, 30 to 70 percent for fixed-income-based investments, and 25 to 60 percent for 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 percent 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 from the without donor restrictions fund.

The Alliance's endowment net assets consist of the following as of December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 138,887	$ -	$ 138,887
Donor-restricted endowment funds			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	271,315	271,315
Accumulated investment gains	-	9,672	9,672
Totals	$ 138,887	$ 280,987	$ 419,874

11. **ENDOWMENT FUNDS** (continued)

Spending Policy (continued)

Changes in the endowment net assets for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at December 31, 2021	$ 172,517	$ 370,966	$ 543,483
Contributions	-	-	-
Interest and dividends, net of fees	1,870	4,022	5,892
Net depreciation	(35,500)	(76,336)	(111,836)
Appropriations	-	(17,665)	(17,665)
Balance at December 31, 2022	$ 138,887	$ 280,987	$ 419,874

The Alliance's endowment net assets consist of the following as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 172,517	$ -	$ 172,517
Donor-restricted endowment funds			
Original donor restricted gift amount and amounts required to be maintained in perpetuity by donor	-	271,315	271,315
Accumulated investment gains	-	99,651	99,651
Totals	$ 172,517	$ 370,966	$ 543,483

Changes in the endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at December 31, 2020	$ 153,988	$ 355,254	$ 509,242
Contributions	-	-	-
Interest and dividends, net of fees	2,132	3,756	5,888
Net appreciation	16,397	30,300	46,697
Appropriations	-	(18,344)	(18,344)
Balance at December 31, 2021	$ 172,517	$ 370,966	$ 543,483

12. **CONDITIONAL REVENUE**

The Alliance received revenue that contains donor conditions. Since these donations represent conditional promises to give, they are not recorded as revenue until donor conditions are met.

As of December 31, the conditional grants and related conditions are as follows:

	2022	2021
Conditions		
Cost reimbursable expenditures	$ 1,360,429	$ 672,183
Sponsorships for future events	154,000	119,725
Ending conditional grant balance	$ 1,514,429	$ 791,908

The table below shows the change in conditional grants during the years ended December 31:

	2022	2021
Beginning conditional grant balance	$ 791,908	$ 304,926
New conditional grants	1,828,261	2,792,255
Conditions satisfied	(1,105,740)	(2,305,273)
Ending conditional grant balance	$ 1,514,429	$ 791,908

As of December 31, 2022 and 2021, funds received from the donors in advance of conditions being met totaled $58,935 and $20,000, respectively. These amounts are recorded as deferred revenue and will subsequently be recognized as revenue when donor conditions are met.

13. **PAYCHECK PROTECTION PROGRAM LOANS**

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 Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the Coronavirus Aid, Relief, and Economic Security Act (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 $742,752 contributions related to this agreement during the year ended December 31, 2021, 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 and changes in net assets.

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.

14. **EMPLOYEE RETENTION CREDIT PROGRAM**

During the year ended December 31, 2021, the Alliance recognized revenue totaling $695,151 for credits towards qualified wages paid during the first three quarters of 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. During the year ended December 31, 2022, the Alliance recognized revenue totaling $84,437 for credits toward qualified wages paid during the second quarter of 2020 due to a governmental order.

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 contributions related to this program during the years ended December 31, 2022 and 2021, which represents the ERC program funds for which the performance barriers have been met. This is reported as its own revenue category in the statements of activities and changes in net assets. As of December 31, 2022, 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.

15. **RISKS, COMMITMENTS AND CONTINGENCIES**

Hotel Commitments

The Alliance has entered into agreements with several hotels to provide conference facilities and room accommodations for its annual meeting through May 2025. 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 $1,700,000 and $1,600,000 as of December 31, 2022 and 2021, respectively. 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 on 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.

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.

Concentrations

For the years ended December 31, 2022 and 2021, two receivable balances accounted for more than 10 percent of the total receivable balance. These balances accounted for 64 percent of the Alliance’s total receivable balance at December 31, 2022 and 2021.

16. **RETIREMENT PLANS**

The Alliance sponsors a tax deferred annuity 403(b) plan (the 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 percent of that employee's annual salary. The Alliance's contributions to the Plan totaled $145,283 and $27,938 for the years ended December 31, 2022 and 2021, 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 reinstated on October 15, 2021.