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FINANCIAL REPORT

AMERICAN ALLIANCE OF MUSEUMS

YEARS ENDED DECEMBER 31, 2023 AND 2022

AMERICAN ALLIANCE OF MUSEUMS

FINANCIAL REPORT
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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 statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits 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 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 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 Audits 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 22, 2024

AMERICAN ALLIANCE OF MUSEUMS

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Assets		
Cash and cash equivalents	$ 1,740,241	$ 1,729,626
Certificate of deposit	237,891	-
Accounts receivable, net of allowance for credit losses	111,190	128,140
Grants and contributions receivable, net	407,438	1,356,714
Other receivable	-	55,090
Inventory	58,026	42,621
Prepaid expenses and deposits	495,858	315,895
Investments	6,879,693	6,009,491
Property and equipment, net	891,860	943,323
Finance lease right-of-use asset	41,586	4,047
Operating lease right-of-use asset	4,729,372	5,352,416
Total Assets	$ 15,593,155	$ 15,937,363
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 408,538	$ 398,001
Deferred revenue	2,772,367	2,809,624
Other liabilities	26,980	-
Finance lease liability	41,280	4,047
Operating lease liability	6,080,819	6,789,461
Total Liabilities	9,329,984	10,001,133
Net Assets		
Without donor restrictions		
Undesignated	5,238,663	4,769,698
Board-designated endowment	159,956	138,887
Total Net Assets Without Donor Restrictions	5,398,619	4,908,585
With donor restrictions	864,552	1,027,645
Total Net Assets	6,263,171	5,936,230
Total Liabilities and Net Assets	$ 15,593,155	$ 15,937,363

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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Membership dues	$ 3,258,129	$ -	$ 3,258,129	$ 3,062,886	$ -	$ 3,062,886
Contributions and sponsorships	807,276	140,331	947,607	724,993	594,132	1,319,125
Exhibit and other fees	1,520,906	-	1,520,906	1,430,082	-	1,430,082
Registrations	1,741,458	-	1,741,458	1,342,735	-	1,342,735
Grants and contracts	732,024	-	732,024	688,267	-	688,267
Advertising income	762,725	-	762,725	820,730	-	820,730
Accreditation and MAP fees	504,336	-	504,336	463,047	-	463,047
Royalties	26,641	-	26,641	24,048	-	24,048
Publication sales	80,089	-	80,089	85,917	-	85,917
Other	57	-	57	30,285	-	30,285
Subscriptions	38,655	-	38,655	39,760	-	39,760
In-kind contributions	221,437	-	221,437	101,661	-	101,661
Employee retention credit, CARES Act	-	-	-	84,437	-	84,437
Appropriation of accumulated earnings	-	16,860	16,860	-	17,665	17,665
Net assets released from restrictions	346,049	(346,049)	-	705,305	(705,305)	-
Total Revenue and Support	10,039,782	(188,858)	9,850,924	9,604,153	(93,508)	9,510,645
Expenses and Losses						
Programs						
Field-wide services	2,056,911	-	2,056,911	2,141,029	-	2,141,029
Learning, meetings and professional education	2,719,802	-	2,719,802	2,171,618	-	2,171,618
Membership	751,094	-	751,094	493,372	-	493,372
Publications and business enterprises	822,952	-	822,952	748,918	-	748,918
Advocacy	483,796	-	483,796	363,141	-	363,141
Center for the Future of Museums	180,987	-	180,987	157,590	-	157,590
Total Programs	7,015,542	-	7,015,542	6,075,668	-	6,075,668
Supporting services						
Management and general	2,794,764	-	2,794,764	2,521,408	-	2,521,408
Development and fundraising	532,017	-	532,017	642,418	-	642,418
Total Supporting Services	3,326,781	-	3,326,781	3,163,826	-	3,163,826
Total Expenses	10,342,323	-	10,342,323	9,239,494	-	9,239,494
Loss on disposal of property and equipment	785	-	785	-	-	-
Total Expenses and Losses	10,343,108	-	10,343,108	9,239,494	-	9,239,494
Change in Net Assets from Operations	(303,326)	(188,858)	(492,184)	364,659	(93,508)	271,151
Investment income (loss)	909,845	42,625	952,470	(1,001,786)	(72,314)	(1,074,100)
Appropriation of accumulated earnings	-	(16,860)	(16,860)	-	(17,665)	(17,665)
Change in Net Assets Before Provision for Income Taxes	606,519	(163,093)	443,426	(637,127)	(183,487)	(820,614)
Provision for Income Taxes	(116,485)	-	(116,485)	(131,274)	-	(131,274)
Change in Net Assets After Provision for Income Taxes	490,034	(163,093)	326,941	(768,401)	(183,487)	(951,888)
Net Assets, beginning of year	4,908,585	1,027,645	5,936,230	5,676,986	1,211,132	6,888,118
Net Assets, end of year	$ 5,398,619	$ 864,552	$ 6,263,171	$ 4,908,585	$ 1,027,645	$ 5,936,230

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

AMERICAN ALLIANCE OF MUSEUMS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Programs							Supporting Services			
	Field-Wide Services	Learning, Meetings and Professional Education	Membership	Publications and Business Enterprises	Advocacy	Center for the Future of Museums	Total Programs	Management and General	Development and Fundraising	Total Supporting Services	Total
Personnel	$ 1,052,902	$ 407,870	$ 554,595	$ 297,643	$ 242,247	$ 137,105	$ 2,692,362	$ 1,300,916	$ 430,152	$ 1,731,068	$ 4,423,430
Contractors	428,986	553,725	10,181	253,201	63,240	16,014	1,325,347	841,640	24,822	866,462	2,191,809
Occupancy	240,998	221,953	103,158	11,561	32,515	23,122	633,307	284,166	55,136	339,302	972,609
Travel	163,769	119,702	8,364	21	4,673	-	296,529	6,298	3,014	9,312	305,841
Food and beverage	4,681	497,017	96	-	55,505	-	557,299	4,985	-	4,985	562,284
Printing, postage and freight	32,374	7,676	52,907	120,420	1,342	9	214,728	3,182	4,328	7,510	222,238
Supplies, equipment and equipment rental	8,446	553,721	1,940	2,052	40,048	451	606,658	7,268	1,333	8,601	615,259
Depreciation and amortization	36,087	47,717	13,177	14,438	8,488	3,175	123,082	51,096	9,334	60,430	183,512
Bank fees, taxes and licenses	-	70	-	-	-	-	70	363,926	-	363,926	363,996
Scholarships and awards	7,565	17,500	-	-	-	-	25,065	3,689	-	3,689	28,754
Other expenses	1,242	681	190	1,520	41	-	3,674	23,940	55	23,995	27,669
Communications	7,540	104,208	2,753	27,016	2,273	663	144,453	10,677	1,950	12,627	157,080
Cost of goods sold	-	-	-	3,102	-	-	3,102	-	-	-	3,102
Professional development	1,126	9,291	1,872	858	31,619	-	44,766	2,253	575	2,828	47,594
Honoraria	66,100	21,800	-	400	-	-	88,300	-	-	-	88,300
Insurance	5,095	24,115	1,861	2,039	1,805	448	35,363	7,213	1,318	8,531	43,894
Services in-kind	-	132,756	-	88,681	-	-	221,437	-	-	-	221,437
Total Expenses	2,056,911	2,719,802	751,094	822,952	483,796	180,987	7,015,542	2,911,249	532,017	3,443,266	10,458,808
Less: Provision for income taxes	-	-	-	-	-	-	-	(116,485)	-	(116,485)	(116,485)
Total Expenses By Function	$ 2,056,911	$ 2,719,802	$ 751,094	$ 822,952	$ 483,796	$ 180,987	$ 7,015,542	$ 2,794,764	$ 532,017	$ 3,326,781	$ 10,342,323

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

AMERICAN ALLIANCE OF MUSEUMS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Programs							Supporting Services			
	Field-Wide Services	Learning, Meetings and Professional Education	Membership	Publications and Business Enterprises	Advocacy	Center for the Future of Museums	Total Programs	Management and General	Development and Fundraising	Total Supporting Services	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: 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

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 326,941	$ (951,888)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	183,512	205,191
Amortization of finance right-of-use assets	5,031	5,365
Donated securities	(15,121)	-
Loss on disposal of property and equipment	785	-
Net realized and unrealized (gains) losses	(746,865)	1,145,093
(Increase) Decrease in		
Accounts receivable, net of allowance for credit losses	16,950	140,336
Grants and contributions receivable, net	949,276	(309,823)
Other receivable	55,090	(55,090)
Inventory	(15,405)	3,096
Prepaid expenses and deposits	(179,963)	79,765
Increase (Decrease) in		
Accounts payable and accrued expenses	10,537	(266,807)
Deferred revenue	(37,257)	456,103
Other liabilities	26,980	-
Operating lease assets and liabilities	(85,598)	(61,623)
Net Cash Provided by Operating Activities	494,893	389,718
Cash Flows from Investing Activities		
Payments for the purchase of property and equipment	(132,834)	(103,661)
Purchase of investments and certificates of deposit	(1,110,103)	(7,821,362)
Proceeds from sale of investments and certificates of deposit	763,996	6,231,518
Net Cash Used by Investing Activities	(478,941)	(1,693,505)
Cash Flows from Financing Activities		
Payments on financing lease	(5,337)	(5,365)
Payments on line of credit	-	(375,000)
Proceeds from line of credit	-	375,000
Net Cash Used by Financing Activities	(5,337)	(5,365)
Net Increase (Decrease) in Cash and Cash Equivalents	10,615	(1,309,152)
Cash and Cash Equivalents, beginning of year	1,729,626	3,038,778
Cash and Cash Equivalents, end of year	$ 1,740,241	$ 1,729,626
Non-Cash Investing and Finance Activities		
Initial recognition of right-of-use asset	$ (42,570)	$ (5,974,246)
Derecognition of deferred rent	$ -	$ (1,498,668)
Initial recognition of lease liability	$ 42,570	$ 7,472,914
Supplemental Disclosure of Cash Flow Information		
Taxes paid	$ 130,708	$ 191,832

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 and Supporting Services

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

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

Learning, Meetings and Professional Education – captures the Alliance's commitment to the advancement, professional development, and networking of 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 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. The Future of Museums Summit is a virtual conference devoted to current topics, trends and issues facing museums now and in the future.

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.

Certificate of Deposit

The Alliance values certificates of deposit at original cost, plus accrued interest which approximates fair value. The certificate of deposit has an original maturity of 12 months and has a 5.5 percent interest rate.

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. Accounts receivable are carried at original invoice amounts less an estimated allowance for credit losses.

Allowance for Credit Losses

Management individually reviews all contract receivables by customer and by job. Management determines whether an allowance for credit losses is necessary using historical loss information by aging category adjusted for current economic conditions and reasonable and supportable forecasts. Balances are charged off against the allowance when management believes there is no possibility of recovery. The allowance for credit losses was $22,818 and $4,944 for the years ended December 31, 2023 and 2022, 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 statement 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 uncollectible 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, 2023 and 2022, grants and contributions receivable are considered by management to be fully collectible; therefore, no allowance for uncollectible 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.

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

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.

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 Measurements

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.

Leases

At lease inception, the Alliance determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (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)

The Alliance uses the rate implicit in the lease if it is readily determinable. Accounting Standards Update (ASU) 2016-02, *Leases (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 an 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.

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.

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.

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

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 services 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. During the years ended December 31, 2023 and 2022, some members renewed early to take advantage of discounts that were being offered. The membership cycle for those who renewed early will begin when the active membership cycle ends.

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.

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

Printed Magazine	Month of printing
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

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

Revenue Recognition (continued)

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 statements 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 rata 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 and changes in net assets, 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.

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.

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

Support Revenue (continued)

Support revenue includes revenue in the contributions and sponsorships; and grants and contracts categories in the accompanying statements of activities and changes in net assets.

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 contributions receivable, net 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 year ended December 31, 2023, the Alliance received donated use of venue and event organization fees totaling $132,756, and advertising services totaling $88,681. During the year ended December 31, 2022, the Alliance received donated advertising services totaling $101,661. All donated services received are without donor restrictions. Venue and event organization fees are used in the Learning, Meetings and Professional Education program activities; advertising services are used in Publications and Business Enterprises program activities and valued at their commensurate rate charged for their services to others.

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, communications and insurance. Occupancy for office rent is allocated on a square footage basis.

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

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, 2023 and 2022, the provision for income taxes totaled $116,485 and $131,274, respectively. As of December 31, 2023, prepaid expenses of $14,423 related to income taxes. As of December 31, 2022, accrued expenses of $7,759 related to income taxes.

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, 2023 and 2022, 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.

Adoption of New Accounting Standards - Allowance for Credit Losses

Effective January 1, 2023, the Alliance adopted ASU 2016-13, Financial Instruments–Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments.* The ASU replaces the incurred loss impairment methodology with a current expected credit losses model for all financial assets measured at amortized cost. Financial assets held by the Alliance that are subject to the ASU include accounts receivable. The Alliance adopted the standard using a modified retrospective approach as of the effective date. No cumulative-effect adjustment to net assets was required. The adoption of the standard did not have a material impact on the financial statements and primarily resulted in changes to disclosures.

Reclassifications

Certain items in the December 31, 2022 financial statements have been reclassified to conform to the December 31, 2023 financial statements presentation. The reclassifications had no impact on previously reported net assets.

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

Subsequent Events

The date to which events occurring after December 31, 2023, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is May 22, 2024, 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:

	2023	2022
Cash and cash equivalents	$ 1,740,241	$ 1,729,626
Certificate of deposit	237,891	-
Accounts receivable, net of allowance for credit losses	111,190	128,140
Grants and contributions receivable, net	407,438	1,356,714
Investments	6,879,693	6,009,491
Financial assets, at year end	9,376,453	9,223,971
Less those unavailable for general expenditures within one year:		
Without donor-restrictions - board designated endowment	(159,956)	(138,887)
With donor restrictions	(864,552)	(1,027,645)
Financial assets available to meet cash needs for general expenditures within one year	$ 8,351,945	$ 8,057,439

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, a certificate of deposit, 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 budget and compares it to actual results throughout the year.

3. **GRANTS AND CONTRIBUTIONS RECEIVABLE**

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

	2023	2022
Receivable in less than one year	$ 366,544	$ 1,213,751
Receivable in one to five years	46,648	150,000
Grants and contributions receivable	413,192	1,363,751
Less: discount	(5,754)	(7,037)
	407,438	1,356,714
Less: allowance	-	-
Totals	$ 407,438	$ 1,356,714

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, 2023 and 2022.

4. **INVESTMENTS** (continued)

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.

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

	2023			
	Level 1	Level 2	Level 3	Total
Equity Mutual Funds	$ 3,899,460	$ -	$ -	$ 3,899,460
Fixed Income Mutual Funds	2,870,164	-	-	2,870,164
Money Market Funds	110,069	-	-	110,069
	$ 6,879,693	$ -	$ -	$ 6,879,693

	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

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 208,710	$ 10,237	$ 218,947
Realized gains	(5,969)	(293)	(6,262)
Unrealized losses	717,913	35,214	753,127
Investment expenses	(51,644)	(2,533)	(54,177)
Total	$ 869,010	$ 42,625	$ 911,635

	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)

4. **INVESTMENTS** (continued)

Interest and dividends in the charts above includes interest earned on the certificate of deposit and bank accounts. During the year ended December 31, 2023, interest and dividends on the statement of activities and changes in net assets also includes $40,835 of interest received with the employee retention credit.

5. **PROPERTY AND EQUIPMENT**

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

	2023	2022
Software	$ 1,630,258	$ 1,541,959
Furniture and equipment	316,649	273,088
Leasehold improvements	1,275,047	1,275,047
Totals	3,221,954	3,090,094
Less: Accumulated depreciation and amortization	(2,330,094)	(2,146,771)
Totals	$ 891,860	$ 943,323

Depreciation and amortization expense for the years ended December 31, 2023 and 2022 was $183,512 and $205,191, respectively.

6. **LINE OF CREDIT**

The Alliance has a revolving line of credit with its bank in the amount of $1,230,000 that is currently extended through October 30, 2024. 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. Amounts drawn on the line of credit accrue interest at the Bloomberg Short-Term Bank Yield (BSBY) index plus 2.35 percent.

For the years ended December 31, 2023 and 2022, total interest expense associated with the line of credit amounted to $-0- and $2,871, 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:

	2023	2022
Membership dues	$ 1,889,107	$ 2,064,687
Sponsorships	91,104	83,474
Exhibit and other fees	500,367	273,870
Registration	47,511	117,588
Advertising income	8,057	7,458
Accreditation and MAP fees	223,305	244,384
Subscriptions	12,916	18,163
Totals	$ 2,772,367	$ 2,809,624

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), which amounted to $58,800 and $58,935 as of December 31, 2023 and 2022, respectively.

8. **CONTRACT REVENUE**

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

	2023	2022
Revenue recognized at a point in time:		
Registrations	$ 1,741,458	$ 1,342,735
Exhibit and other fees	1,520,906	1,430,082
Advertising income	731,036	795,660
Sponsorships	102,491	107,931
Publication sales	80,089	85,917
Total revenue recognized at a point in time	$ 4,175,980	$ 3,762,325
Revenue recognized over time:		
Membership dues	$ 3,258,129	$ 3,062,886
Accreditation and MAP fees	504,336	463,047
Subscriptions	38,655	39,760
Advertising income	31,689	25,070
Royalties	26,641	24,048
Total revenue recognized over time	$ 3,859,450	$ 3,614,811

As of December 31, 2023 and 2022, accounts receivable of $111,190 and $128,140 was related to contract revenue, respectively. As of December 31, 2023 and 2022, deferred revenue of $2,713,567 and $2,750,689 was related to contract revenue, respectively. As of January 1, 2022, accounts receivable and deferred revenue were $268,476 and $2,353,521, respectively.

9. **LEASE COMMITMENTS**

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 terminated December 31, 2023. The lease included a renewal option under the same terms and conditions. Monthly payments during the life of the lease were $465.

9. **LEASE COMMITMENTS** (continued)

In November 2023, the Alliance renewed its lease agreement for office equipment including two Canon copiers and scanners and one fax board. The new lease commenced on December 4, 2023 and terminates on December 3, 2028. The lease includes a renewal option under the same terms and conditions. Monthly payments during the life of the lease are $384.

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 terminated on September 17, 2023. The lease included 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 were $451.

Sourcewell Lease – In August 2023, 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 October 17, 2023, and terminates on September 16, 2028. Monthly payments during the life of the lease are $405.

Other Leases – 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, 2023 and 2022 were $803,606 and $793,958, respectively.

The components of lease expense were as follows for the years ended December 31:

	2023	2022
Finance lease expense		
Amortization of ROU assets included in supplies, equipment and equipment rental	$ 5,031	$ 5,365
Interest on finance lease liabilities	243	48
Total finance lease expense	5,274	5,413
Operating lease expense	726,506	726,506
Short-term lease expense	40,242	34,491
Variable lease expense	31,584	27,548
Total lease costs	$ 803,606	$ 793,958

9. **LEASE COMMITMENTS** (continued)

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, 2023:

Year ending December 31:	Operating Leases	Finance Leases
2024	$ 830,592	$ 9,470
2025	855,510	9,470
2026	881,175	9,470
2027	907,610	9,470
2028	934,839	7,948
Thereafter	2,039,023	-
Total undiscounted cash flows	6,448,749	45,828
Less: present value discount	(367,930)	(4,548)
Total lease liabilities	$ 6,080,819	$ 41,280

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

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases (i.e., interest)	$ 243	$ 48
Financing cash flows from finance leases (i.e., principal portion)	$ 5,337	$ 5,365
Operating cash flows from operating leases	$ 811,980	$ 788,493
ROU assets obtained in exchange for new finance lease liabilities	$ 42,570	$ 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	4.87	0.83
Weighted-average remaining lease term in years for operating leases	7.08	8.08
Weighted-average discount rate for finance leases	4.27%	0.69%
Weighted-average discount rate for operating leases	1.60%	1.60%

As of December 31, 2023, the Alliance has no operating or finance leases that have not yet commenced.

10. NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Endowment	$ 306,752	$ 280,987
Diversity in Museum Leadership (DEAI)	301,027	428,349
Audience building program	78,155	74,664
Strategic planning initiatives	76,848	175,000
Accreditation activities	67,505	50,645
Future of Museums Summit	24,265	-
Annual meeting scholarship	10,000	18,000
Totals	$ 864,552	$ 1,027,645

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:

	2023	2022
Diversity in Museum Leadership (DEAI)	$ 127,322	$ 441,732
Strategic planning initiatives	98,152	124,000
Audience building program	96,509	89,573
Annual meeting scholarship	18,000	-
Endowment - appropriations	16,860	17,665
Future of Museums Summit	6,066	-
Annual meeting	-	50,000
Totals	$ 362,909	$ 722,970

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.

11. **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 (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, 2023 and 2022, 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.

11. **ENDOWMENT FUNDS** (continued)

Spending Policy (continued)

The Alliance's endowment net assets consist of the following as of December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 159,956	$ -	$ 159,956
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	-	35,437	35,437
Totals	$ 159,956	$ 306,752	$ 466,708

Changes in the endowment net assets for the year ended December 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at December 31, 2022	$ 138,887	$ 280,987	$ 419,874
Contributions	-	-	-
Interest and dividends, net of fees	3,808	7,704	11,512
Net depreciation	17,261	34,921	52,182
Appropriations	-	(16,860)	(16,860)
Balance at December 31, 2023	$ 159,956	$ 306,752	$ 466,708

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 appreciation	(35,500)	(76,336)	(111,836)
Appropriations	-	(17,665)	(17,665)
Balance at December 31, 2022	$ 138,887	$ 280,987	$ 419,874

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:

	2023	2022
Conditions		
Cost reimbursable expenditures	$ 2,888,798	$ 1,369,259
Sponsorships for future events	165,600	121,500
Ending conditional grant balance	$ 3,054,398	$ 1,490,759

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

	2023	2022
Beginning conditional grant balance	$ 1,490,759	$ 800,738
New conditional grants	2,741,855	1,795,761
Conditions satisfied	(1,178,216)	(1,105,740)
Ending conditional grant balance	$ 3,054,398	$ 1,490,759

As of December 31, 2023 and 2022, funds received from the donors in advance of conditions being met totaled $58,800 and $58,935, respectively. These amounts are recorded as deferred revenue and will subsequently be recognized as revenue when donor conditions are met.

13. **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 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.

13. **EMPLOYEE RETENTION CREDIT PROGRAM** (continued)

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. For the year ended December 31, 2022, the total credits were recorded as a receivable on the statement of financial position, with payment expected within one year.

During the year ended December 31, 2023, the Alliance received ERC payments of $89,481 on August 8, 2023 and $730,977 on August 23, 2023, which included interest of $5,008 and $35,827, respectively.

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.

14. **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 $1,100,000 and $1,700,000 as of December 31, 2023 and 2022, respectively.

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. The employment agreement terminated as of June 15, 2023 at will of the executive officer.

Effective June 16, 2023, the Alliance entered into an employment agreement with an interim executive officer that expired when the current executive officer started, April 22, 2024. The interim executive officer returned to their former position as Chief of Staff upon the current executive officer’s start. Under the terms of the agreement, if employment is terminated without cause during the first year of the new executive officer’s employment, the Alliance is to pay the interim executive officer amounts for severance.

Indirect Cost Reimbursement

The majority of the Alliance's Federal awards allow for indirect cost recovery. During the year ended December 31, 2022, indirect costs billed under the Alliance's major Federal programs were 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. During the year ended December 31, 2023, the Alliance received an indirect cost negotiation agreement that contains a predetermined rate for the period January 1, 2023 through December 31, 2025. 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.

14. **RISKS, COMMITMENTS AND CONTINGENCIES** (continued)

Concentrations

For the years ended December 31, 2023 and 2022, two receivable balances accounted for more than 10 percent of the total receivable balance. These balances accounted for 44 percent and 64 percent of the Alliance's total receivable balance at December 31, 2023 and 2022, respectively. The total receivable balance includes accounts receivable, grants and contributions receivable, and other receivable on the statements of financial position.

15. **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 $151,191 and $145,283 for the years ended December 31, 2023 and 2022, respectively.