

**ASSOCIATION OF ART MUSEUM
DIRECTORS**

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2023 AND JUNE 30, 2022**

**ASSOCIATION OF ART MUSEUM
DIRECTORS**

JUNE 30, 2023 AND JUNE 30, 2022

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Independent Auditor's Report

To the Board of Trustees of
Association of Art Museum Directors

Opinion

We have audited the financial statements of Association of Art Museum Directors, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Association of Art Museum Directors as of June 30, 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Association of Art Museum Directors 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.

Emphasis of Matter

As discussed in Note B to the financial statements, Association of Art Museum Directors has changed its method of accounting for operating leases as of July 1, 2022 due to the adoption of Accounting Standards Update 2016-02, Leases (Topic 842). Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Association of Art Museum Directors' 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 Association of Art Museum Directors' 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.


CERTIFIED PUBLIC ACCOUNTANTS

New York, New York
November 1, 2023

ASSOCIATION OF ART MUSEUM DIRECTORS

STATEMENTS OF FINANCIAL POSITION

| <u>ASSETS</u> | June 30, | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,737,075 | \$ 3,487,084 |
| Investments | 2,341,366 | 2,044,016 |
| Receivables for membership dues, net | 17,850 | 56,350 |
| Due from affiliate | 1,333 | 1,333 |
| Prepaid expenses | 29,016 | 47,888 |
| Total current assets | 6,126,640 | 5,636,671 |
| Furniture and equipment (at cost, less accumulated depreciation of \$17,248 in 2023 and \$14,943 in 2022) | 4,185 | 6,491 |
| Website development costs (at cost, less accumulated amortization of \$193,180 in 2023 and 2022) | 19,765 | - |
| Right-of-use assets - operating leases | 128,983 | - |
| Security deposits | 15,244 | 15,244 |
| TOTAL ASSETS | \$ 6,294,817 | \$ 5,658,406 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| Current Liabilities: | | |
| Accounts payable and accrued expenses | \$ 46,733 | \$ 71,311 |
| Due to officer | 112,978 | 69,360 |
| Deferred revenue | 15,900 | 67,750 |
| Operating leases liability - short-term | 94,921 | - |
| Total current liabilities | 270,532 | 208,421 |
| Operating leases liability - long-term | 35,676 | - |
| TOTAL LIABILITIES | 306,208 | 208,421 |
| Commitments | | |
| Net assets without donor restrictions | 5,988,609 | 5,449,985 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 6,294,817 | \$ 5,658,406 |

See accompanying notes.

ASSOCIATION OF ART MUSEUM DIRECTORS

STATEMENTS OF ACTIVITIES

| | Year Ended June 30, | |
|--|---------------------|--------------|
| | 2023 | 2022 |
| Revenues and gains: | | |
| Membership dues | \$ 1,876,433 | \$ 1,821,392 |
| Conference registration fees | 143,200 | - |
| Website income | 21,310 | 22,797 |
| Other program income | 10,000 | 7,885 |
| Grants and conference sponsorships | 20,050 | 8,100 |
| Investment income (loss) | 258,214 | (264,655) |
| Paycheck Protection Program loan forgiveness | - | 113,180 |
| | 2,329,207 | 1,708,699 |
| Functional expenses: | | |
| Program services | 1,239,504 | 915,262 |
| Membership development | 193,573 | 157,962 |
| General and administrative | 357,506 | 400,008 |
| | 1,790,583 | 1,473,232 |
| Increase in net assets without donor restrictions | 538,624 | 235,467 |
| Net assets without donor restrictions - July 1 | 5,449,985 | 5,214,518 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS - JUNE 30 | \$ 5,988,609 | \$ 5,449,985 |

See accompanying notes.

ASSOCIATION OF ART MUSEUM DIRECTORS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

| | <u>Program Services</u> | <u>Membership Development</u> | <u>General and Administrative</u> | <u>Total Expenses</u> |
|---------------------------------------|-----------------------------|-----------------------------------|---------------------------------------|---------------------------|
| Conferences | \$ 300,218 | \$ - | \$ - | \$ 300,218 |
| Diversity internship program | 54,120 | - | - | 54,120 |
| Public forum and seminars | 5,000 | - | - | 5,000 |
| Publication expenses | 20,000 | - | - | 20,000 |
| Committee expenses | 500 | - | - | 500 |
| Executive and administrative salaries | 546,700 | 112,587 | 102,501 | 761,788 |
| Officer deferred compensation | 8,027 | 10,703 | 8,028 | 26,758 |
| Payroll taxes | 38,504 | 7,930 | 7,219 | 53,653 |
| Employee benefits - pension plan | 34,853 | 7,178 | 6,534 | 48,565 |
| Employee benefits - other | 60,305 | 12,419 | 11,307 | 84,031 |
| Professional development | 507 | 676 | 507 | 1,690 |
| Staff travel and expenses | 26,447 | 7,053 | 1,763 | 35,263 |
| Website and identity redesign | 8,510 | 2,128 | - | 10,638 |
| Office supplies and expenses | 17,548 | 4,675 | 1,169 | 23,392 |
| Operating leases expense | 64,042 | 9,903 | 33,010 | 106,955 |
| Utilities | 872 | 135 | 449 | 1,456 |
| Repairs and maintenance | 2,284 | 353 | 1,177 | 3,814 |
| Insurance expense | - | - | 4,645 | 4,645 |
| Public relations | 45,071 | 5,008 | - | 50,079 |
| Consulting fees | 556 | - | - | 556 |
| Depreciation and amortization expense | 1,381 | 214 | 711 | 2,306 |
| Dues and subscriptions | - | 12,611 | - | 12,611 |
| Legal fees | - | - | 132,121 | 132,121 |
| Accounting and audit fees | - | - | 39,820 | 39,820 |
| Bad debt expense | - | - | 5,500 | 5,500 |
| Other expenses | - | - | 1,045 | 1,045 |
| Credit card fees | 4,059 | - | - | 4,059 |
| | <u>\$ 1,239,504</u> | <u>\$ 193,573</u> | <u>\$ 357,506</u> | <u>\$ 1,790,583</u> |

See accompanying notes.

ASSOCIATION OF ART MUSEUM DIRECTORS

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

| | <u>Program Services</u> | <u>Membership Development</u> | <u>General and Administrative</u> | <u>Total Expenses</u> |
|---------------------------------------|-----------------------------|-----------------------------------|---------------------------------------|---------------------------|
| Conferences | \$ 71,854 | \$ - | \$ - | \$ 71,854 |
| Diversity internship program | 43,200 | - | - | 43,200 |
| Public forum and seminars | 10,322 | - | - | 10,322 |
| Trustees' meetings | - | - | 9,322 | 9,322 |
| Executive and administrative salaries | 506,584 | 90,899 | 100,312 | 697,795 |
| Officer deferred compensation | 7,107 | 9,476 | 7,108 | 23,691 |
| Payroll taxes | 37,147 | 6,665 | 7,356 | 51,168 |
| Employee benefits - pension plan | 32,069 | 5,754 | 6,350 | 44,173 |
| Employee benefits - other | 54,518 | 9,783 | 10,795 | 75,096 |
| Professional development | 420 | 560 | 419 | 1,399 |
| Staff travel and expenses | 13,225 | 3,527 | 881 | 17,633 |
| Website and identity redesign | 8,000 | 2,000 | - | 10,000 |
| Office supplies and expenses | 17,913 | 4,777 | 1,194 | 23,884 |
| Rent | 59,385 | 9,253 | 30,842 | 99,480 |
| Utilities | 919 | 143 | 477 | 1,539 |
| Repairs and maintenance | 3,307 | 515 | 1,718 | 5,540 |
| Insurance expense | - | - | 4,411 | 4,411 |
| Public relations | 42,336 | 4,704 | - | 47,040 |
| Consulting fees | 2,310 | - | - | 2,310 |
| Depreciation and amortization expense | 1,377 | 214 | 715 | 2,306 |
| Dues and subscriptions | - | 9,692 | - | 9,692 |
| Legal fees | - | - | 148,177 | 148,177 |
| Accounting and audit fees | - | - | 36,500 | 36,500 |
| Bad debt expense | - | - | 28,500 | 28,500 |
| Other expenses | - | - | 4,931 | 4,931 |
| Credit card fees | 3,269 | - | - | 3,269 |
| | <u>\$ 915,262</u> | <u>\$ 157,962</u> | <u>\$ 400,008</u> | <u>\$ 1,473,232</u> |

See accompanying notes.

ASSOCIATION OF ART MUSEUM DIRECTORS

STATEMENTS OF CASH FLOWS

| | Year Ended | |
|---|---------------------|---------------------|
| | June 30, | |
| | <u>2023</u> | <u>2022</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| Cash flows from operating activities: | | |
| Increase in net assets without donor restrictions | \$ 538,624 | \$ 235,467 |
| Adjustment to reconcile results of operations to net cash effect of operating activities: | | |
| Depreciation and amortization | 2,306 | 2,306 |
| Change in market value of investments | (103,605) | 511,782 |
| Bad debt expense | 5,500 | 28,500 |
| Paycheck Protection Program loan forgiveness | - | (113,180) |
| Operating leases amortization | 93,351 | - |
| Net changes in assets and liabilities: | | |
| Receivables for membership dues | 33,000 | (19,916) |
| Due from affiliate | - | 117 |
| Prepaid expenses | 18,872 | 4,907 |
| Accounts payable and accrued expenses | (24,578) | 8,807 |
| Due to officer | 43,618 | 10,624 |
| Operating leases liability | (91,737) | - |
| Deferred revenue | (51,850) | 67,750 |
| Total adjustments | (75,123) | 501,697 |
| Net cash provided by operating activities | 463,501 | 737,164 |
| Cash flows from investing activities: | | |
| Dividends and capital gains reinvested | (166,986) | (234,010) |
| Purchase of investments | (26,759) | (48,019) |
| Website development | (19,765) | - |
| Purchase of equipment | - | (1,519) |
| Net cash used in investing activities | (213,510) | (283,548) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 249,991 | 453,616 |
| Cash and cash equivalents - July 1 | 3,487,084 | 3,033,468 |
| CASH AND CASH EQUIVALENTS - JUNE 30 | \$ 3,737,075 | \$ 3,487,084 |

See accompanying notes.

ASSOCIATION OF ART MUSEUM DIRECTORS

NOTES TO FINANCIAL STATEMENTS

NOTE A - Description of the Organization

The purpose of the Association of Art Museum Directors (“the Association”), a 501(c)(6) not-for-profit organization, is to be a diversified professional, member-driven organization for directors of museums in the United States, Canada and Mexico. Its mission is to aid its members in establishing and maintaining high standards for themselves and the museums they represent, thereby increasing the contribution of art museums to society. It serves as a forum for the exchange of information and the exploration of ideas and as a voice with which museum directors may express their joint concerns and those of their institutions.

NOTE B - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements present the Association's financial position, results of operations and cash flows on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Presentation of Financial Statements

In accordance with U.S. GAAP for financial statements of not-for-profit organizations, the Association is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

- Net assets without donor restrictions represent funds available for expenses that are not otherwise limited by donor restrictions.
- Net assets with donor restrictions represent funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time.

The Association's net assets are all without donor restrictions and the board has structured them into two funds: General Fund and Emergency Reserve Fund.

General Fund: All the Association's revenues are included in the General Fund and used for general Association operations.

Emergency Reserve Fund: In 1995, the Board of Trustees authorized the creation of a reserve fund designed to yield a higher rate of return, while also being available to meet unanticipated or emergency requirements. During the years ended June 30, 2016 and 2015 the Board of Trustees authorized and invested in the fund an additional \$100,000 and \$200,000, respectively. There was no additional investment into the Emergency Reserve Fund during years ended June 30, 2017 through June 30, 2022. The Association's Emergency Reserve Fund's investment balance was \$550,000 as of June 30, 2023 and 2022. Income earned by the investments of the reserve fund is included in the General Fund and is available for general Association operations. The invested funds are available for the general-purpose activities of the Association, if required. Accordingly, all of the assets of the Association are considered to be without donor restrictions.

ASSOCIATION OF ART MUSEUM DIRECTORS

NOTES TO FINANCIAL STATEMENTS

NOTE B - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash accounts and short-term investments held outside the investment portfolio. As of at June 30, 2023 and 2022, cash and cash equivalents were comprised of bank deposits and money market funds.

The Association maintains cash balances at three financial institutions. The Association has not experienced any losses in such accounts. Federal legislation provides for FDIC insurance of up to \$250,000, per depositor, per insured bank. As of June 30, 2023, the uninsured cash balance was \$3,239,936.

Investments and Investment Income

Investments are recorded at fair value. The unrealized gain or loss, representing the difference between the current market value of investments held and their market value at the beginning of the year or their cost if purchased in the current year, is included as a component of investment income on the statements of activities.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Association groups assets at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

ASSOCIATION OF ART MUSEUM DIRECTORS

NOTES TO FINANCIAL STATEMENTS

NOTE B - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

Accounts Receivable and Credit Policies

Accounts receivable from members are noninterest-bearing amounts recorded at net realizable value. The allowance for doubtful accounts reflects management's best estimate of probable losses determined principally on the basis of historical experience and the Association's relationships with, and economic status of, its members. All accounts or portions thereof that are deemed to be uncollectible or that require an excessive collection cost are written off to the allowance for doubtful accounts. The allowance for uncollectible accounts was \$4,000 and \$0 as of June 30, 2023 and 2022, respectively.

Furniture and Equipment

Office furniture and equipment is recorded at cost and depreciated on the straight-line method over its estimated useful life of 5 to 7 years. Depreciation expense totaled \$2,306 for the years ended June 30, 2023 and 2022.

Website Development Costs

Website development costs related to data consulting services, site configuration, conceptual design, and major upgrades are capitalized and amortized on a straight-line basis over their estimated useful life of five years. Costs related to the planning stage of website development projects as well as ongoing website operating and support costs are expensed as incurred.

Right-of-Use Asset and Lease Liabilities

The Association determines if an arrangement is a lease at inception. Operating leases are included in right-of-use assets ("ROU assets") and operating lease liabilities in the statements of financial position. ROU assets represent the Association's right to use an underlying asset for the lease term and lease obligations represent the Association's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments at risk-free discount rate over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise that option. ROU assets also include adjustments related to lease made and lease incentives received at or before the commencement date. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

ASSOCIATION OF ART MUSEUM DIRECTORS

NOTES TO FINANCIAL STATEMENTS

NOTE B - Summary of Significant Accounting Policies (Continued)

Right-of-Use Asset and Lease Liabilities (Continued)

The Association has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as right of use assets or lease obligations on the statements of financial position.

The Association has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

Revenue Recognition

Revenue is recognized when control of the goods and services provided are transferred to the Association's members or program participants in an amount that reflects the consideration the Association expects to be entitled to in exchange for those goods and services. The Association applies the five-step model in revenue recognition: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations in the contract; (5) Recognize revenue when (or as) the entity satisfies a performance obligation.

Membership Dues

The Association generates substantial amounts of revenues through collection of membership dues from members for the general rights of membership that includes access to the members-only section of the Association's website; advocacy representation for members on issues affecting art museums; and access to valuable training, resources, and information. Membership dues provide economic as well as other benefits to members and are therefore accounted for as an exchange transaction rather than as a contribution. The Association typically satisfies its performance obligation for membership dues over time as the related services are provided during the membership contract period as a stand-ready obligation. Members are currently invoiced in July for the year ending the following June 30th.

Conference Registration Fees

The Association holds several events throughout the year, such as the Association's annual convention and fall and spring summits, which require the purchase of registration fees. Performance obligations are satisfied at the time of the conference when the services are transferred. Payment is primarily due at the time of purchase.

Website Income

The website income is monthly fees charged for postings on a job board on the Association's website. Website income is recognized in the period in which the postings appear on the Association's website.

Other Program Income

The performance obligation related to program and other fees is typically satisfied evenly over the course of the program service period and is a faithful depiction of how the Association transfers control of goods and services to its customers.

ASSOCIATION OF ART MUSEUM DIRECTORS

NOTES TO FINANCIAL STATEMENTS

NOTE B - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Grants and Conference Sponsorships

Grant revenue is recognized when allowable expenses related to a grant are incurred. Sponsorships are considered exchange transactions. Benefits received include complementary registration, print and verbal recognition for and during the conferences and summits, and other benefits. The revenue is recognized in the month of the event.

Contract Balances

The timing of revenue recognition, billings, and cash collections results in contract assets and contract liabilities. A contract asset arises when the Association transfers a good or performs a service in advance of receiving consideration. Contract assets and liabilities are included in accounts receivable and deferred revenues in the accompanying statements of financial position.

The Association records receivables when the right to consideration becomes unconditional. Receivables related to contracts with customers amounted to \$17,850 and \$56,350, net of the allowance for uncollectable accounts of \$4,000 and \$0, as of June 30, 2023 and 2022, respectively. Contract liabilities include unearned revenue when the Association receives payment from customers before revenue is recognized. Unearned revenues of \$15,900 and \$67,750 as of June 30, 2023 and 2022, respectively, represent conference fees paid in advance of the annual conferences set to occur during the fiscal years ended June 30, 2024 and 2023, respectively.

The opening balances of contract assets and liabilities as of July 1, 2021 were as follows:

| | |
|---------------------|----------|
| Accounts receivable | \$64,934 |
| Deferred revenue | \$ 0 |

Contract Costs

Contract costs generally include direct costs such as labor for membership advocacy, professional services, and meeting expenditures related to conventions and other events. Costs are expensed as incurred.

In accordance with ASU 2014-09, the Association disaggregates revenue from contracts with customers into major revenue streams and based on the timing of recognizing revenue. All of the Association's revenues are primarily recognized over the performance obligation period (over time).

For membership dues and program and other fees, the revenue generated from such services support the Association's mission as a 501(c)(6) organization and are generally exempt from the collection of sales tax. For any revenue streams where the Association is legally required to collect sales taxes, the Association has elected to make the accounting policy election to exclude sales taxes and similar taxes from the measurement of transaction price under Accounting Standards Codification (ASC) 606.

ASSOCIATION OF ART MUSEUM DIRECTORS

NOTES TO FINANCIAL STATEMENTS

NOTE B - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the statements of activities. Certain categories of expenses, such as payroll related expenses, office rent, information technology, office and administrative expenses, are attributable to one or more program or supporting functions of the Association. The payroll related expenses are allocated based on estimates of time and efforts, rent expenses are allocated based on square footage and payroll factors, and other costs are allocated based on estimated time, efforts and cost of specific technology utilized.

Income Tax Status

The Association is exempt from income tax under IRC section 501(c)(6), although it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Association has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Association has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Recently Adopted Accounting Standard

The Association adopted Accounting Standard Update to the Topic 842, Leases, ("ASC 842") effective July 1, 2022. ASC requires lessees to recognize leases on the statement of financial position as right-of-use ("ROU") assets and lease liabilities based on the value of the discounted future lease payments and to disclose key information about leasing arrangements to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In adopting ASC 842, the Association used the package of practical expedients available in the year of adoption, which includes not reevaluating if a contract is or contains a lease and not reevaluating the classification of a lease and initial direct costs.

Upon adoption of ASC 842, the Association recognized an operating ROU and a lease liability in the amount of \$221,224 and \$222,334, respectively, using a modified retrospective method of application to all leases existing on July 1, 2022. The adoption of this standard did not result in an adjustment to the beginning net assets and did not have a material impact on changes in net assets or cash flows for the year ended June 30, 2023.

Subsequent Events

The Association has considered subsequent events occurring through November 1, 2023, the date the financial statements were available for issuance, in evaluating its estimates and in the preparation of its financial statements.

ASSOCIATION OF ART MUSEUM DIRECTORS

NOTES TO FINANCIAL STATEMENTS

NOTE C - Investments

The Association's investments consist of shares of registered investment companies (mutual funds) valued at the closing price reported on the active markets on which the shares of mutual funds are traded which are classified as Level 1 investments. There have been no changes in the methodologies used during the year ended June 30, 2023.

Investments on the statements of financial position are comprised of the following:

| | June 30, | |
|----------------------|---------------------|--------------|
| | 2023 | 2022 |
| Mutual funds at: | | |
| Fair value (Level 1) | \$ 2,341,366 | \$ 2,044,016 |
| Cost* | 2,112,888 | 1,919,143 |
| Unrealized Gain | \$ 228,478 | \$ 124,873 |

*Includes reinvested dividends.

Investment income on the statements of activities is comprised of the following:

| | Year Ended June 30, | |
|---|--------------------------------|-------------|
| | 2023 | 2022 |
| Interest and dividend income received or reinvested | \$ 40,980 | \$ 26,209 |
| Net unrealized and realized gain (loss) | 217,234 | (290,864) |
| | \$ 258,214 | \$(264,655) |

Management manages risk by very closely monitoring its investments. The Association's strategy also provides for sufficient liquid assets to meet the Association's cash needs for general expenditures. The Association's strategic investment allocation policy is 70% equity and 30% debt securities. Investments should be rebalanced at least annually in the fourth calendar quarter of the fiscal year in order to maintain the investment balances in accordance with the investment strategy. Management believes the investment portfolio is diversified to minimize the concentration of risk of any single security, class of security, or asset class.

NOTE D - Paycheck Protection Program Loan Forgiveness

In January 2021, the Association entered into a promissory note with a bank in the total amount of \$113,180 under the Paycheck Protection Program ("PPP Loan") established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The PPP Loan and accrued interest were forgivable after twenty-four weeks as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. During the year ended June 30, 2022, the Association was notified that the entire amount of the PPP Loan had been forgiven.

ASSOCIATION OF ART MUSEUM DIRECTORS

NOTES TO FINANCIAL STATEMENTS

NOTE E - Leases

The Association operates from leased premises in New York City and Washington, D.C. The premises in Washington, D.C. are subleased through May 31, 2026 and are subject to annual rent of \$17,215 increasing by 3% every year beginning on June 1, 2022. The New York City office lease was amended to provide for monthly rent of \$6,572 effective July 1, 2019 through June 30, 2024 plus escalations for real estate taxes and operating costs.

All rental payments, including fixed rent increases, are recognized on a straight-line basis over the term of the lease. Under FASB ASC 840 (pre-adoption of the new standard, ASC 842), the difference between rent expense recognized on a straight-line basis and the actual cash payments under the lease, as well as the unamortized tenant incentives and allowances, was reflected in deferred rent on the statement of financial position.

Total rent expense for the New York City and Washington, D.C. premises for the year ended June 30, 2022 was \$99,480.

The future minimum annual rental payments on these lease obligations were as follows:

| | |
|-----------------------------|------------------|
| Fiscal year ending June 30: | |
| 2023 | \$ 96,640 |
| 2024 | 97,173 |
| 2025 | 18,859 |
| 2026 | <u>17,761</u> |
| Total | <u>\$230,433</u> |

Upon adoption of ASC 842, the Association evaluated current contracts to determine which met the criteria of a lease. The Association made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted average discount rate applied to calculate lease liabilities as of June 30, 2023 was 2.88%. The weighted average remaining lease term is 1.77 years as of June 30, 2023.

Total operating lease cost for the year ended June 30, 2023 was \$106,955. Cash flow from the operating lease totaled \$96,640 for the year ended June 30, 2023.

Future maturity of the operating lease liabilities are as follows:

| | |
|---|-------------------|
| Fiscal year ending June 30: | |
| 2024 | \$ 97,173 |
| 2025 | 18,859 |
| 2026 | <u>17,761</u> |
| Total undiscounted minimum lease payments | 133,793 |
| Less imputed interest | <u>(3,196)</u> |
| Total operating lease liabilities | <u>\$ 130,597</u> |

ASSOCIATION OF ART MUSEUM DIRECTORS

NOTES TO FINANCIAL STATEMENTS

NOTE F - Commitments and Contingencies

Officer Employment Agreement

The Association has entered into an employment agreement with one of its officers through June 30, 2024. The agreement provides for, among other things, separation pay commencing on the last day of employment and continuing until and ending one year later. The officer is entitled to separation pay up to and through June 30, 2024, if the Association terminates the officer's employment without cause or the officer decides to resign for a good reason, such as, material demotion or material reduction in authority or responsibility, reduction of annual salary or material breach by the Board of any material provision of the employment agreement.

Officer Deferred Compensation

In accordance with the officer's employment agreement amended in June of 2019, each fiscal year of the officer's employment starting July 1, 2019 through June 30, 2024, the Association will deposit 10% of the officer's annual salary into a Retention Incentive Account.

The Retention Incentive Account balance will be paid to the officer or the beneficiary within 30 days after, but no later than, the first of the following: June 30, 2024; officer's death or disability; officer quits for a good reason; the date the Association terminates the officer for a reason other than cause as outlined in the employment agreement.

The Association deposited \$26,758 and \$48,019 into the Retention Incentive Account during the years ended June 30, 2023 and 2022, respectively. The balance in this account, including earned income, was \$137,306 and \$93,688 as of June 30, 2023 and 2022, respectively, and is included with investments in the statements of financial position as of June 30, 2023 and 2022.

The Association recorded \$26,758 and \$23,691 of deferred compensation expense equal to 10% of the officer's salary in each of the years ended June 30, 2023 and 2022, respectively. The balance due to the officer was \$112,978 as of June 30, 2023, which includes \$95,573 of earned contributions to the Retention Incentive Account and \$17,405 of net investment income on this account through June 30, 2023. The balance due to the officer was \$69,360 as of June 30, 2022, which includes \$68,816 of earned contributions to the Retention Incentive Account and \$544 of net investment income on this account through June 30, 2022.

NOTE G - Pension Plan

The Association's Simplified Employee Pension Plan ("SEP") provides for annual contributions to individual retirement accounts of eligible employees at the discretion of the Association. Contributions authorized for the years ended June 30, 2023 and 2022 were \$48,565 and \$44,173, respectively.

ASSOCIATION OF ART MUSEUM DIRECTORS

NOTES TO FINANCIAL STATEMENTS

NOTE H - Income Taxes

The Financial Accounting Standards Board (“FASB”) issued guidance that requires tax effects from uncertain tax positions to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. Management has determined there are no material uncertain positions that require recognition in the financial statements. Additionally, no provision for income taxes is reflected, and there is no interest or penalties recognized in the statements of activities or statements of financial position. The tax years ended 2020, 2021 and 2022 are still open to audit for federal purposes.

NOTE I - Affiliated Foundation

The Association and the Association of Art Museum Directors Educational Foundation (the “Foundation”) are affiliated through common trustees and membership, and mutually supportive missions. The Foundation’s mission is the development and presentation of professional and public education programming for museum directors, the museums they represent, related art organizations and the general public.

The Association and the Foundation share common office facilities and in-kind administrative services. The balance due from the Foundation was \$1,333 as of June 30, 2023 and 2022, as a result of the Association’s funds received by the Foundation during the year ending June 30, 2022.

NOTE J - Liquidity and Availability of Cash

The Association’s financial assets available within one year of the balance sheet date for general expenditures are as follows:

| | June 30, | |
|---|---------------------|---------------------|
| | 2023 | 2022 |
| Financial assets at year end: | | |
| Cash | \$ 3,737,075 | \$ 3,487,084 |
| Investments | 2,341,366 | 2,044,016 |
| Receivables for membership dues | 17,850 | 56,350 |
| Total financial assets | 6,096,291 | 5,587,450 |
| Less amounts not available to be used within one year- Emergency Reserve Fund (Note B) | (550,000) | (550,000) |
| Financial assets available to meet general expenditures over the next twelve months | \$ 5,546,291 | \$ 5,037,450 |

The Association’s goal is generally to maintain financial assets in cash to meet one year of operating expenses (approximately \$1.79 million). The excess cash is invested in liquid investments, such as actively traded mutual funds.