The Animal Medical Center

Financial Statements

December 31, 2018

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Trustees
The Animal Medical Center

We have audited the accompanying financial statements of The Animal Medical Center ("AMC"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Animal Medical Center as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, The Animal Medical Center adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited The Animal Medical Center's December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 11, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

April 16, 2019

The Animal Medical Center

Statement of Financial Position
December 31, 2018
(with comparative amounts at December 31, 2017)

	2018	2017
ASSETS		
Cash	$ 3,997,948	$ 2,258,153
Accounts receivable, net	1,046,115	1,166,500
Contributions and pledges receivable, net	13,891,817	2,176,383
Prepaid expenses and other assets	1,369,626	1,396,400
Investments	39,353,927	36,309,558
Split-interest agreements - charitable remainder trusts	1,687,498	1,855,763
Property and equipment, net	40,277,781	37,859,068
Split-interest agreements - perpetual trusts	924,678	1,071,078
Prepaid pension plan cost	1,658,520	467,622
Restricted investments	7,595,649	7,595,649
	$ 111,803,559	$ 92,156,174
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 6,755,845	$ 4,976,369
Deferred revenue	521,592	711,892
Capital lease payable	104,709	141,998
Mortgage loan payable	9,822,752	10,029,034
Accrued pension plan cost	1,059,145	1,086,080
Total Liabilities	18,264,043	16,945,373
Net Assets		
Without Donor Restrictions		
Operating	22,279,823	23,874,481
Investment in property and equipment	30,455,029	27,830,034
	52,734,852	51,704,515
With donor restrictions	40,804,664	23,506,286
Total Net Assets	93,539,516	75,210,801
	$ 111,803,559	$ 92,156,174

See notes to financial statements

The Animal Medical Center

Statement of Activities
Year Ended December 31, 2018
(with summarized totals for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
OPERATING REVENUE AND SUPPORT				
Professional services revenue	$ 41,795,446	$ -	$ 41,795,446	$38,765,155
Restricted contributions	-	2,024,430	2,024,430	2,569,250
Investment return, net	-	(516,181)	(516,181)	640,242
Donated goods	211,971	-	211,971	211,816
Housing revenue	2,051,894	-	2,051,894	2,039,129
Other income	555,564	-	555,564	463,498
Net assets released from restrictions	2,466,431	(2,466,431)	-	-
Total Operating Revenue and Support	47,081,306	(958,182)	46,123,124	44,689,090
OPERATING EXPENSES				
Program Expenses				
Professional care, education and research	34,052,437	-	34,052,437	31,464,869
Housing expenses	1,809,023	-	1,809,023	1,696,718
Management and General				
General services	5,727,643	-	5,727,643	5,001,424
Fiscal services	2,807,912	-	2,807,912	2,259,617
Administrative services	2,068,622	-	2,068,622	2,185,242
Total Operating Expenses	46,465,637	-	46,465,637	42,607,870
Income (Loss) from Operations Before Depreciation	615,669	(958,182)	(342,513)	2,081,220
Depreciation	2,825,209	-	2,825,209	2,848,361
Loss from Operations	(2,209,540)	(958,182)	(3,167,722)	(767,141)
NONOPERATING REVENUE AND EXPENSES				
Contributions and bequests	4,703,477	18,570,225	23,273,702	3,685,905
Changes in split-interest agreements	-	(314,665)	(314,665)	239,302
Special event revenue, net of costs with direct benefit to donors of $461,042 and $452,177	1,342,308	1,000	1,343,308	1,456,459
Investment return, net	(1,457,135)	-	(1,457,135)	4,035,275
Fundraising expenses	(1,375,708)	-	(1,375,708)	(1,105,524)
Change in Net Assets Before Other Changes	1,003,402	17,298,378	18,301,780	7,544,276
OTHER CHANGES				
Pension liability adjustment	26,935	-	26,935	1,041,143
Change in Net Assets	1,030,337	17,298,378	18,328,715	8,585,419
NET ASSETS				
Beginning of the year	51,704,515	23,506,286	75,210,801	66,625,382
End of the year	$ 52,734,852	$ 40,804,664	$ 93,539,516	$ 75,210,801

See notes to financial statements

The Animal Medical Center

Statement of Functional Expenses
Year Ended December 31, 2018
(with summarized totals for the year ended December 31, 2017)

	Professional Care, Education and Research	Housing	General Services	Fiscal Services	Administrative Services	Fundraising	2018 Total	2017 Total
Salaries and benefits	$ 23,985,847	$ 249,411	$ 3,365,604	$ 1,627,692	$ 1,387,827	$ 750,127	$ 31,366,508	$ 29,059,210
Purchased services	1,790,675	444,569	914,931	594,438	478,109	176,419	4,399,141	3,931,603
Supplies	5,175,462	24,255	194,625	53,904	9,720	5,182	5,463,148	5,175,646
Utilities	649,204	250,045	405,753	121,726	81,151	40,575	1,548,454	1,444,031
Repairs and maintenance	641,067	210,853	339,804	158,694	18,406	375	1,369,199	1,378,289
Other	1,810,182	629,890	506,926	251,458	93,409	396,598	3,688,463	2,715,964
	34,052,437	1,809,023	5,727,643	2,807,912	2,068,622	1,369,276	47,834,913	43,704,743
Depreciation	847,339	707,950	1,152,462	110,140	7,318	6,432	2,831,641	2,857,012
Total Expenses	$ 34,899,776	$ 2,516,973	$ 6,880,105	$ 2,918,052	$ 2,075,940	$ 1,375,708	$ 50,666,554	$ 46,561,755

See notes to financial statements

The Animal Medical Center

Statement of Cash Flows
Year Ended December 31, 2018
(with comparative amounts for the year ended December 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 18,328,715	$ 8,585,419
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	2,831,641	2,857,012
Amortization of debt issuance costs	5,300	5,300
Net realized and unrealized loss (gain) on investments	2,561,296	(3,989,142)
Provision for uncollectible accounts	338,030	250,731
Changes in fair value of split-interest agreements	254,931	(286,918)
Pension benefit liability adjustment	(26,935)	(1,041,143)
Change in present value discount of pledges receivable	560,956	46,275
Changes in operating assets and liabilities		
Accounts receivable	(217,645)	(491,930)
Contributions and pledges receivable	(12,276,390)	(672,674)
Prepaid expenses and other assets	26,774	9,383
Prepaid pension plan cost	(1,190,898)	28,532
Accounts payable and accrued expenses	1,779,476	137,140
Deferred revenue	(190,300)	(127,551)
Net Cash from Operating Activities	12,784,951	5,310,434
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	79,189,591	84,454,453
Purchase of investments	(84,795,256)	(87,432,354)
Acquisition of property and equipment	(5,250,354)	(1,847,559)
Redemptions of split-interest agreements	59,734	47,616
Net Cash from Investing Activities	(10,796,285)	(4,777,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long term debt	(211,582)	(204,630)
Payments on capital lease obligation	(37,289)	(35,603)
Net Cash from Financing Activities	(248,871)	(240,233)
Change in Cash	1,739,795	292,357
CASH		
Beginning of year	2,258,153	1,965,796
End of year	$ 3,997,948	$ 2,258,153
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 340,003	$ 349,750

See notes to financial statements

1. Organization and Tax Status

The Animal Medical Center ("AMC") is a not-for-profit hospital for animals and an institute for veterinary education and research.

AMC is qualified as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, is not subject to federal income taxes under Section 501(a) of the Code. AMC has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in accordance 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 reporting period. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement

On January 1, 2018, AMC adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities (ASU 2016-14). This guidance requires AMC to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires AMC to make certain expanded disclosures relating to (1) the liquidity of financial assets and (2) expenses by both their natural and functional classification in one location in the financial statements. As a result of implementing this standard, prior year amounts for temporarily restricted and permanently restricted net assets were reclassified as net assets with donor restrictions.

Additionally, the new guidance allows for the reporting of investment income net of external and direct internal investment expenses on the statement of activities, without additional note disclosure.

Accounts Receivable

Accounts receivable result from professional care services provided by AMC to animals in the surrounding New York area. Accounts receivable are 100% related to self-pay customers. The allowance for doubtful accounts is based upon management's assessment of historical and expected net collections and overall business and economic conditions. The allowance for doubtful accounts approximated $300,000 and $250,000 at December 31, 2018 and 2017.

2. Summary of Significant Accounting Policies *(continued)*

Contributions and Pledges Receivable

Unconditional contributions and pledges receivable that are expected to be collected in future years are discounted to their net realizable value. The discount is amortized and reflected within contribution income in the statement of activities over the period in which the pledge is expected to be collected. The allowance for doubtful accounts is based upon a combination of management's assessment of historical collections, aging analysis and any specific known doubtful account.

Inventories

AMC values its inventories at the lower of cost or net realizable value using the FIFO (first-in, first-out) method.

Fair Value of Financial Instruments

AMC employs a three-level fair value hierarchy, based upon the valuation inputs and assumptions used, to measure the fair value of its financial assets. These levels are defined as follows:

- Level 1 measurements have the highest reliability and are related to assets with unadjusted quoted prices in active markets.
- Level 2 measurements relate to assets with other-than-quoted prices in active markets, which may include quoted prices for similar assets or liabilities or other inputs that can be corroborated by observable market data.
- Level 3 measurements make the use of unobservable inputs and are used to the extent that observable inputs do not exist.

The level in the fair value hierarchy within which a fair value measurement falls in its entirety is based on the lowest level input that is significant to the fair value measurement.

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. U.S. GAAP guidance provides for the use of NAV as a *"Practical Expedient"* for estimating fair value of alternative investments.

2. Summary of Significant Accounting Policies *(continued)*

Investments Valuation (continued)

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the NAV per share as a practical expedient are not categorized within the fair value hierarchy.

Debt Issuance Costs

Debt issuance costs are reported on the statement of financial position as a direct deduction from the face amount of the mortgage loan payable. Amortization of these costs is provided using the straight-line method, which does not differ materially from the effective interest method, over the 10 year life of the related debt.

AMC recognized deferred debt issuance costs of $53,000 on the refinanced mortgage obtained in 2016. For each of the years ended December 31, 2018 and 2017, amortization expense related to the debt issuance costs was $5,300.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets, which range from three to ten years for computer hardware and software and furniture and equipment and ten to thirty years for buildings and improvements.

If contributions are received and used to acquire or construct long-lived assets, AMC uses the placed-in-service approach to recognize the expirations of donor-imposed restrictions, unless donors specify otherwise.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the years ended December 31, 2018 and 2017.

Functional Allocation of Expenses

The statement of functional expenses present the expenses of AMC by nature and program or supporting functional category. AMC program expenses include costs of professional care, education and research, and housing. Administrative services include costs associated with the following operational areas: administration, finance, information technology, legal, external affairs and human resources. Fundraising expenses include those costs associated with donor interaction. Utilities and insurance are allocated to each department in AMC based on square footage. Other departmental expenses are then allocated to the functional categories based on estimates of time and effort and/or costs which are directly charged to a functional category.

2. Summary of Significant Accounting Policies *(continued)*

Net Asset Presentation

AMC's financial statements distinguish between net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objective of AMC.

Net assets with donor restrictions – Net assets that are subject to donor-imposed stipulations that will be met either by passage of time or by actions of AMC. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying statement of activities as net assets released from restrictions.

Operating Measure

The statement of activities separately reports changes in net assets from operating and nonoperating activities. AMC includes in its definition of operations all revenue, support and expenses that are an integral part of its programs and supporting activities. Contributions specifically restricted by donors for operating purposes are included in operating revenue and support. Investment income earned on certain contributions retained in perpetuity is reported as operating revenue.

Nonoperating activities consist of contributions without donor restriction, bequests and restricted contributions for the purchase of equipment and capital improvements, changes in split-interest agreements, net special event revenue and fundraising expenses, investment return net of amounts appropriated for operating purposes, and pension liability adjustment.

Professional Services Revenue

Professional services revenue is recorded at established rates when veterinary services are performed. As a matter of policy, AMC provides charity care to animals of certain clients. Since payment for charity care is not sought, charity care is not reported as revenue.

2. Summary of Significant Accounting Policies *(continued)*

Contributions and Bequests

Contributions are recorded at their realizable value when they are received unconditionally. Conditional contributions are recognized as support when the conditions on which they depend have been substantially met.

Contributions are restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. Contributions and bequests are recorded net of related discounts.

Donated Goods

AMC records contributions of pet food donated by a major pet food manufacturer. Food received is recorded at fair value at the date of donation and is held in inventory until used, at which time the value of the contributed pet food is recorded as professional care, education and research expense. During 2018 and 2017, AMC received contributions of pet food valued at $211,971 and $211,816, and used $204,788 and $206,683 during the same periods.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the change in net assets.

Research

Research activities are expensed as incurred. Research costs charged to operations totaled $229,193 and $232,468 in 2018 and 2017.

2017 Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S GAAP. Accordingly, such information should be read in conjunction with AMC's financial statements as of and for the year ended December 31, 2017 from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

AMC recognizes the effect of income tax positions only when they are more likely than not of being sustained. Management is not aware of any violation of its tax status as an organization exempt from income taxes, nor of any exposure to unrelated business income tax. Management has determined that there are no uncertain tax positions that would require financial statement recognition or disclosure. AMC is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2015.

2. Summary of Significant Accounting Policies *(continued)*

Reclassifications

Certain 2017 accounts have been reclassified to conform to the 2018 financial statement presentation. The reclassifications had no effect on 2017 net assets and change in net assets.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 16, 2019.

3. Concentration of Credit Risk

Financial instruments that potentially subject AMC to concentrations of credit risk consist principally of cash and investments with major financial institutions. At times, the cash balance may be in excess of the federally insured limits. Investments are diversified by type and industry concentrations so that no individual or group of investments represents a significant concentration of credit risk.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing AMC's client and donor base. AMC performs ongoing credit evaluations and provides an allowance for uncollectible amounts as they become known.

4. Contributions and Pledges Receivable

Contributions and pledges receivable from donors that are due within one year are considered current. Contributions and pledges receivable as of December 31, 2018 with payments to be received after December 31, 2019 are discounted to their present value using an interest rate of 3%. The interest rate has been calculated using discount factors that approximate the risk and expected timing of future contribution payments. The receivables are due as follows:

	2018	2017
Due within:		
Up to one year	$ 6,220,564	$ 2,412,665
One to five years	9,278,491	810,000
	15,499,055	3,222,665
Discount to present value	(607,231)	(46,275)
Allowance for doubtful accounts	(1,000,007)	(1,000,007)
Contributions receivable, net	$ 13,891,817	$ 2,176,383

5. Fair Value Measurements

The following are major categories of assets and liabilities at December 31, measured at fair value and grouped by the fair value hierarchy on a recurring basis:

	2018			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 5,564,867	$ -	$ -	$ 5,564,867
Mutual funds	25,020,227	-	-	25,020,227
Fixed income funds	-	14,981,355	-	14,981,355
Subtotal	$ 30,585,094	$ 14,981,355	$ -	45,566,449
Alternative investments (1)				1,383,127
Total Investments at Fair Value				$ 46,949,576
Split-interest agreements	$ -	$ -	$ 2,612,176	$ 2,612,176

	2017			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 9,933,739	$ -	$ -	$ 9,933,739
Mutual funds	27,362,067	-	-	27,362,067
Fixed income funds	-	5,374,221	-	5,374,221
Subtotal	$ 37,295,806	$ 5,374,221	$ -	42,670,027
Alternative investments (1)				1,235,180
Total Investments at Fair Value				$ 43,905,207
Split-interest agreements	$ -	$ -	$ 2,926,841	$ 2,926,841

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

During 2018 and 2017, there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

The following is a reconciliation of the beginning and ending balances for Level 3 assets during 2018 and 2017:

	Balance, January 1, 2018	Purchases/ Additions	Change in Fair Value	Redemptions	Balance, December 31, 2018
Split-interest agreements	$ 2,926,841	$ -	$ (254,931)	$ (59,734)	$ 2,612,176

	Balance, January 1, 2017	Purchases/ Additions	Change in Fair Value	Redemptions	Balance, December 31, 2017
Split-interest agreements	$ 2,687,539	$ -	$ 286,918	$ (47,616)	$ 2,926,841

5. Fair Value Measurements *(continued)*

Information regarding alternative investments measured at NAV at December 31, 2018 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund (see "a" below)	$ 1,379,653	$ 683,763	No redemptions	N/A
Hedge fund (see "b" below)	3,474	-	No redemptions	N/A
Total	$ 1,383,127	$ 683,763		

a. This category includes an investment in four partnerships that are designed to aggregate private equity, private lending and real estate offerings into a single vehicle. The market for these partnerships are fairly illiquid and seek high absolute returns, both in terms of internal rate of return and multiple of invested capital. The investment horizon tends to be about twelve years.

b. This category includes the proceeds of hedge fund liquidations which currently are in holdback status pending each fund's final year end accounting.

Certain investments measured at net asset value, totaling $1,383,127 and $1,235,180 at December 31, 2018 and 2017, were subject to lock-up or other liquidity restrictions even though they might otherwise be redeemable in the near term.

6. Split-Interest Agreements

AMC has the following split-interest agreements with donors:

Charitable remainder trusts – AMC is a beneficiary in a number of charitable remainder trusts established by donors. Under the provisions of these trusts, AMC may receive income generated from donated assets controlled by third parties and may share this income with the donor or the donor's designee until such time as stated in the arrangement (usually upon the death of the donor or the donor's designee) at which time the remaining assets are generally available for AMC's use. AMC reports these trusts as an asset and revenue with donor restrictions at the present value of the estimated future benefits to be received. Adjustments to the asset to reflect amortization of the discount and changes in actuarial assumptions are recognized in the nonoperating section of the statement of activities as changes in value of split-interest agreements.

Perpetual trusts – Interests in perpetual trusts are recognized as contributions retained in perpetuity at the present value of estimated future cash receipts from the trust, which generally has been determined to approximate the fair value of AMC's portion of the trust assets. Subsequent changes in the value of perpetual trusts are recorded as nonoperating support. Income received from the trusts is recorded as revenue without donor restrictions, unless specifically restricted by the donor.

7. Property and Equipment

	2018	2017
Land	$ 1,676,075	$ 1,676,075
Buildings and building improvements	59,925,885	58,896,100
Furniture and equipment	11,719,660	10,877,128
Equipment under capital lease	191,956	191,956
Computer hardware and software	4,194,642	4,194,642
	77,708,218	75,835,901
Accumulated depreciation	(41,820,890)	(39,008,444)
Accumulated depreciation, equipment under capital lease	(44,789)	(25,594)
	35,842,539	36,801,863
Capital projects in process	4,435,242	1,057,205
	$ 40,277,781	$ 37,859,068

Depreciation expense was $2,831,641 and $2,857,012 for 2018 and 2017, including $19,195 of depreciation on equipment under capital leases in both 2018 and 2017.

8. Capital Lease Obligation

Future minimum lease payments and the net present value of future minimum lease payments related to capital leases are payable as follows for the years ending December 31:

2019	$ 43,086
2020	43,086
2021	25,134
Total Lease Payments	111,306
Amount representing interest	(6,597)
Present Value of Future Minimum Payments	$ 104,709

9. Mortgage Loan Payable

AMC has a mortgage with JPMorgan Chase, in the original amount of $10,377,797 with a maturity date to June 16, 2026, and a fixed interest rate of 3.3%.

Future annual principal payments are payable as follows at December 31:

2019	$ 218,771
2020	225,301
2021	233,859
2022	241,805
2023	250,020
2024 - 2026	8,692,526
Total	$ 9,862,282

As discussed in Note 2, debt issuance costs are shown as deductions from the mortgage loan payable. At December 31, mortgage loan payable and debt issuance costs are as follows:

	2018	2017
Mortgage loan payable	$ 9,862,282	$ 10,073,864
Less unamortized debt issuance costs	(39,530)	(44,830)
Mortgage loan payable, net	$ 9,822,752	$ 10,029,034

10. Pension Plans

Defined Benefit Plan

AMC maintains a noncontributory defined benefit pension plan (the “Plan”) covering substantially all employees. The Plan provides benefits based on the participants' years of service and compensation.

The funding policy was based on valuations using the projected unit credit actuarial cost method which were intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The Plan was amended as of January 1, 1998 to a cash balance account plan.

Effective October 25, 2009 the Plan was frozen. Participants as of that date no longer receive future service credits. Employees who did not meet the eligibility requirements of the Plan as of that date will not be eligible in the future.

10. Pension Plans *(continued)*

Defined Benefit Plan (continued)

The following table provides information about the Plan as of and for the year ended December 31:

	2018	2017
Projected benefit obligation	$ 8,087,678	$ 8,441,734
Fair value of plan assets	8,687,053	7,823,276
Funded status	$ 599,375	$ (618,458)
Prepaid (accrued) benefit cost recognized in the statement of financial position	$ 599,375	$ (618,458)
Accumulated benefit obligation	8,087,678	8,441,734
Employer contributions	1,000,000	-
Net periodic benefit (income) recognized in the statement of activities	(190,898)	(20,268)
Amortization of amounts previously not recognized as a component of net periodic benefit cost	(12,143)	(86,921)
Benefits paid during the year	131,226	126,466
Weighted average assumptions as of December 31		
Discount rate	4.12%	3.48%
Rate of compensation increase	N/A	N/A

Although AMC was not required to make a contribution to the Plan for the years ended December 31, 2018 and 2017, a contribution of $1,000,000 was made in 2018.

The table below reflects the amounts recognized as other changes in unrestricted net assets arising from the Plan at December 31, 2018 and 2017 that have not yet been recognized in net periodic pension cost:

	2018	2017
Net actuarial loss	$ 1,059,145	$ 1,086,080

10. Pension Plans *(continued)*

Defined Benefit Plan (continued)

The following table shows estimated future benefits expected to be paid from the Plan for the years ending December 31:

2019	$ 1,886,000
2020	612,000
2021	245,000
2022	268,000
2023	447,000
2024-2028	2,257,000

The 7.0% long-term rate of return on Plan assets is determined by calculating a total fund return estimate based on a weighted-average of estimated returns for each asset class. Asset class returns are estimated using current and projected economic factors such as real rates of return, inflation, credit spreads, equity risk premiums and excess return expectations. The value of the Plan's investments has a direct impact on its funded status. The impact on the Plan's funded status and future required contributions cannot be determined at this time.

Plan Assets

The Plan's strategy is to invest in a prudent manner for the exclusive purpose of providing benefits to participants. The strategy is targeted to produce a total return that, when combined with contributions to the Plan, will maintain the Plan's ability to meet all required benefit obligations. Risk is controlled through diversification of asset types and investments in equities and fixed income.

The fair value of AMC's pension plan assets by asset category at December 31, 2018 and 2017, are as follows:

	2018	2017
Money market funds	$ 903,616	$ 369,807
Mutual funds	7,783,437	7,453,469
	$ 8,687,053	$ 7,823,276

AMC's Plan assets consist of money market funds and publicly traded mutual funds which were valued using level 1 inputs under U.S. GAAP guidance.

10. Pension Plans *(continued)*

Defined Contribution Plan

AMC has adopted a defined contribution plan for all eligible employees. The defined contribution plan is funded with employee and matching employer contributions. For the year ended December 31, 2018, AMC recognized an expense of $149,799 for the employer match. AMC did not make any contributions to the defined contribution plan during 2017.

11. Endowment Funds

Interpretation of Law

AMC has interpreted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") 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, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, AMC retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the 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 retained in perpetuity is subject to appropriation for expenditure by AMC in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Return Objectives and Risk Parameters

AMC's endowment investment policy is to invest in a multi-asset class portfolio based on an asset allocation to satisfy overall endowment financial and investment objectives such as to preserve the principal, protect against inflation, receive stable returns and achieve long term growth. AMC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy

AMC uses an endowment spending-rate formula to determine the maximum amount to spend from the endowment, including those endowments deemed to be underwater, each year. The rate, determined and adjusted from time to time by the Board of Trustees, is applied to the investment income allocable to the endowment's funds, less annual appropriations, for the prior five years at December 31 of each year to determine the spending amount for the upcoming year. During the years ended December 31, 2018 and 2017, the spending rate maximum was 75%. In establishing this policy, AMC considered the long-term expected return on the endowment and set the rate with the objective of maintaining the purchasing power of the endowment over time.

11. Endowment Funds *(continued)*

The following is a reconciliation of the activity in the donor-restricted endowment funds under the Board of Trustees' control for the years ended December 31:

	Without Donor Restriction	With Donor Restrictions	Total
Balance, December 31, 2016	$ -	$ 7,878,194	$ 7,878,194
Investment income	-	33,004	33,004
Capital appreciation	-	417,098	417,098
Appropriations for operations	211,907	(211,907)	-
Expenditures for operations	(211,907)	-	(211,907)
Balance, December 31, 2017	-	8,116,389	8,116,389
Investment income	-	109,673	109,673
Capital depreciation	-	(519,503)	(519,503)
Appropriations for operations	390,554	(390,554)	-
Expenditures for operations	(390,554)	-	(390,554)
Balance, December 31, 2018	$ -	$ 7,316,005	$ 7,316,005

AMC's split interest agreements are not displayed above since those funds are held by third parties and the Board of Trustees has no discretion over those funds.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). AMC has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Should the value of the endowment fall below the corpus of the gift, the shortfall will be offset with available funds until such time that the value exceeds the corpus. At December 31, 2018, funds with original gift values of $7,595,649, fair values of $7,316,005, and deficiencies of $279,644 were reported in net assets with donor restrictions.

12. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2018	2017
Subject to expenditure for a specified purpose:		
Charity care	$ 1,240,713	$ 1,332,002
Research/case studies	1,449,034	1,418,549
Building improvements and equipment	24,233,099	6,099,118
Education and other	1,124,981	897,930
Unappropriated endowment earnings	-	520,740
Underwater endowment	(279,644)	-
	27,768,183	10,268,339
Subject to the passage of time:		
For periods after December 31, 2018	4,516,154	4,571,220
Held as endowment in perpetuity:		
Donor restricted endowment	7,595,649	7,595,649
Split interest agreement - perpetual trust	924,678	1,071,078
	8,520,327	8,666,727
Total Net Assets with Donor Restrictions	$ 40,804,664	$ 23,506,286

Net assets were released from donor restrictions which satisfied the following restrictions for the years ended December 31:

	2018	2017
Program restrictions accomplished:		
Charity care	$ 1,076,244	$ 1,031,904
Research/case studies	147,920	178,017
Building improvements and equipment	484,776	825,684
Education and other	568,792	574,980
	2,277,732	2,610,585
Time restrictions expired	188,699	107,471
Total restrictions released	$ 2,466,431	$ 2,718,056

13. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at December 31, 2018:

Financial assets at year end:	
Cash	$ 3,997,948
Accounts receivable	1,046,115
Contributions and pledges receivable	13,891,817
Investments	39,353,927
Total financial assets	58,289,807
Less amounts unavailable for general expenditure:	
Contributions and pledges receivable with donor restricted purposes	12,648,068
Donor restricted amounts held in cash and investments	18,098,861
Non-liquid investments	1,383,127
	32,130,056
Financial assets at year end available to meet cash needs for general expenditures within one year:	$ 26,159,751

As part of its plan to manage liquid assets, AMC either invests excess cash according to its investment mandate, or earmarks it for specific projects and invests it conservatively in money market funds or U.S. Treasuries to attain the highest yield possible, while still preserving capital.

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