The Animal Medical Center

Financial Statements

December 31, 2020

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, 2020, 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.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited The Animal Medical Center's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

May 19, 2021

The Animal Medical Center

Statement of Financial Position
December 31, 2020
(with comparative amounts at December 31, 2019)

	2020	2019
ASSETS		
Cash	$ 6,529,616	$ 1,864,453
Accounts receivable, net	1,373,194	896,261
Contributions and pledges receivable, net	13,161,420	19,584,775
Prepaid expenses and other assets	1,505,082	1,303,869
Investments	71,635,867	56,310,614
Split-interest agreements - charitable remainder trusts	2,020,019	1,890,696
Property and equipment, net	42,845,338	42,353,498
Split-interest agreements - perpetual trusts	1,100,085	1,041,660
Prepaid pension plan cost	1,075,154	1,383,430
Restricted investments	7,595,649	7,595,649
	$ 148,841,424	$ 134,224,905
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 7,210,450	$ 6,105,286
Deferred revenue	255,459	412,051
Capital lease payable	24,750	65,655
Paycheck Protection Program loan payable	5,239,115	-
Mortgage loan payable, net	9,389,280	9,609,281
Accrued pension plan cost	3,828,305	1,600,849
Total Liabilities	25,947,359	17,793,122
Net Assets		
Without Donor Restrictions		
Operating	32,843,145	27,099,135
Investment in property and equipment	33,456,058	32,744,217
	66,299,203	59,843,352
With donor restrictions	56,594,862	56,588,431
Total Net Assets	122,894,065	116,431,783
	$ 148,841,424	$ 134,224,905

See notes to financial statements

The Animal Medical Center

Statement of Activities
Year Ended December 31, 2020
(with summarized totals for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
OPERATING REVENUE AND SUPPORT				
Professional services revenue	$ 48,907,647	$ -	$ 48,907,647	$45,390,703
Restricted contributions	-	1,173,178	1,173,178	1,859,961
Investment return	-	1,168,891	1,168,891	1,667,939
Donated goods	135,864	-	135,864	306,796
Housing revenue	2,016,179	-	2,016,179	2,085,950
Other income	423,303	-	423,303	472,578
Net assets released from restrictions	5,576,666	(5,576,666)	-	-
Total Operating Revenue and Support	57,059,659	(3,234,597)	53,825,062	51,783,927
OPERATING EXPENSES				
Program Expenses				
Professional care, education and research	38,566,578	-	38,566,578	37,878,510
Housing expenses	1,738,471	-	1,738,471	1,854,763
Management and General				
General services	6,669,354	-	6,669,354	6,298,651
Fiscal services	3,472,931	-	3,472,931	2,982,731
Administrative services	2,788,122	-	2,788,122	2,550,032
Total Operating Expenses	53,235,456	-	53,235,456	51,564,687
Income (Loss) from Operations Before Depreciation and Amortization	3,824,203	(3,234,597)	589,606	219,240
Depreciation and amortization	2,935,962	-	2,935,962	2,830,957
Income (Loss) from Operations	888,241	(3,234,597)	(2,346,356)	(2,611,717)
NONOPERATING REVENUE AND EXPENSES				
Contributions and bequests	4,832,186	3,053,280	7,885,466	20,867,358
Changes in split-interest agreements	-	187,748	187,748	320,180
Special event revenue, net of costs with direct benefit to donors of $299,275 and $477,993	1,148,037	-	1,148,037	1,372,071
Investment return	3,503,957	-	3,503,957	5,506,720
Fundraising expenses	(1,410,838)	-	(1,410,838)	(1,775,551)
Change in Net Assets Before Other Changes	8,961,583	6,431	8,968,014	23,679,061
OTHER CHANGES				
Net periodic pension costs, except service cost	(278,276)	-	(278,276)	(245,090)
Pension liability adjustment	(2,227,456)	-	(2,227,456)	(541,704)
Change in Net Assets	6,455,851	6,431	6,462,282	22,892,267
NET ASSETS				
Beginning of the year	59,843,352	56,588,431	116,431,783	93,539,516
End of the year	$ 66,299,203	$ 56,594,862	$122,894,065	$116,431,783

See notes to financial statements

The Animal Medical Center

Statement of Functional Expenses
Year Ended December 31, 2020
(with summarized totals for the year ended December 31, 2019)

	Professional Care, Education and Research	Housing Expenses	General Services	Fiscal Services	Administrative Services	Fundraising	2020 Total	2019 Total
Salaries and benefits	$ 27,980,759	$ 318,171	$ 4,303,147	$ 1,803,380	$ 2,093,609	$ 947,233	$ 37,446,299	$ 35,978,785
Purchased services	2,341,432	325,538	1,028,433	841,619	312,040	168,993	5,018,055	4,429,364
Supplies	5,529,608	14,826	171,400	44,352	58,156	4,828	5,823,170	5,939,122
Utilities	595,764	230,334	372,353	111,706	74,472	37,235	1,421,864	1,531,495
Repairs and maintenance	681,045	243,323	422,735	266,369	182,446	1,207	1,797,125	1,508,573
Cost of special events	-	-	-	-	-	299,275	299,275	477,993
Bank and credit card fees	1,115,315	-	-	98	-	22,336	1,137,749	1,026,875
Computers and printers	-	-	4,930	339,835	-	1,455	346,220	196,226
Interest	-	320,100	-	1,385	-	-	321,485	331,021
Real estate taxes	-	236,263	-	-	-	-	236,263	237,647
Other	322,655	49,916	366,356	64,187	67,399	221,981	1,092,494	2,155,560
Subtotal	38,566,578	1,738,471	6,669,354	3,472,931	2,788,122	1,704,543	54,939,999	53,812,661
Less: cost of special events	-	-	-	-	-	(299,275)	(299,275)	(477,993)
Total Expenses Before Depreciation and Amortization	38,566,578	1,738,471	6,669,354	3,472,931	2,788,122	1,405,268	54,640,724	53,334,668
Depreciation and amortization	803,362	672,143	1,287,594	155,841	17,022	5,570	2,941,532	2,836,527
Total Expenses	$ 39,369,940	$ 2,410,614	$ 7,956,948	$ 3,628,772	$ 2,805,144	$ 1,410,838	$ 57,582,256	$ 56,171,195

See notes to financial statements

The Animal Medical Center

Statement of Cash Flows
Year Ended December 31, 2020
(with comparative amounts for the year ended December 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 6,462,282	$ 22,892,267
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,941,532	2,836,527
Amortization of debt issuance costs	5,300	5,300
Net realized and unrealized gain on investments	(4,127,384)	(6,321,309)
Provision for uncollectible accounts	83,421	349,919
Changes in fair value of split-interest agreements	(237,074)	(375,157)
Pension benefit liability adjustment	2,227,456	541,704
Change in present value discount of pledges receivable	(349,697)	(3,546)
Cash received for capital campaign	(8,930,772)	(11,545,204)
Changes in operating assets and liabilities		
Accounts receivable	(560,354)	(200,065)
Contributions and pledges receivable	6,773,052	(5,689,412)
Prepaid expenses and other assets	(201,213)	65,757
Prepaid pension plan cost	308,276	275,090
Accounts payable and accrued expenses	1,105,164	(650,559)
Deferred revenue	(156,592)	(109,541)
Net Cash from Operating Activities	5,343,397	2,071,771
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	114,618,046	136,904,317
Purchase of investments	(125,815,915)	(147,539,695)
Acquisition of property and equipment	(3,433,372)	(4,912,244)
Redemptions of split-interest agreements	49,326	54,977
Net Cash from Investing Activities	(14,581,915)	(15,492,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long term debt	(225,301)	(218,771)
Proceeds from Paycheck Protection Program loan	5,239,115	-
Payments on capital lease obligation	(40,905)	(39,054)
Cash contributions restricted for capital campaign	8,930,772	11,545,204
Net Cash from Financing Activities	13,903,681	11,287,379
Change in Cash	4,665,163	(2,133,495)
CASH		
Beginning of year	1,864,453	3,997,948
End of year	$ 6,529,616	$ 1,864,453
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 321,485	$ 331,021

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.

Adoption of New Accounting Policy

Improving the Presentation of Net Periodic Pension Cost and Postretirement Benefit Cost

In March 2017, the Financial Accounting Standards Board ("FASB") issued guidance that impacts the presentation of net periodic pension and postretirement benefit costs (net benefit cost). Under the guidance, the service cost component of net benefit cost is reported in the same line item as employee benefits in the statement of functional expenses, unless eligible for capitalization. However, the other components of net benefit cost (e.g. interest costs, expected return on assets, amortization of prior service/net (gain) loss and transition obligation) are now presented separately from service cost within employee benefits in the statement of functional expenses. The guidance was effective for the year ended December 31, 2019. The guidance is primarily a change in financial statement presentation and did not have a material impact on the financial results.

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

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 was $300,000 at December 31, 2020 and 2019.

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.

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

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.

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, 2020 and 2019, 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. Leasehold improvements are amortized over the shorter of their useful lives or the term of the lease.

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, 2020 and 2019.

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

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.

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.

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

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.

AMC also provides discounts, primarily to non-profit organizations, governmental agencies, and employees. Such amounts are recognized as reductions in revenue in the periods the services are provided.

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 2020 and 2019, AMC received contributions of pet food valued at $135,864 and $306,796, and used $144,957 and $302,954 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 $258,141 and $281,642 in 2020 and 2019.

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

2019 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, 2019 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 2017.

Reclassifications

Certain 2019 accounts have been reclassified to conform to the 2020 financial statement presentation. The reclassifications had no effect on 2019 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 May 19, 2021.

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, 2020 with payments to be received after December 31, 2021 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:

	2020	2019
Due within:		
Up to one year	$ 7,686,650	$ 8,906,875
One to five years	6,728,765	12,281,592
	14,415,415	21,188,467
Discount to present value	(253,988)	(603,685)
Allowance for doubtful accounts	(1,000,007)	(1,000,007)
Contributions and pledges receivable, net	$ 13,161,420	$ 19,584,775

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:

	2020			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 36,907,929	$ -	$ -	$ 36,907,929
Mutual funds	30,177,001	-	-	30,177,001
Fixed income funds	-	10,660,440	-	10,660,440
Subtotal	$ 67,084,930	$ 10,660,440	$ -	77,745,370
Alternative investments (1)				1,486,146
Total Investments at Fair Value				$ 79,231,516
Split-interest agreements	$ -	$ -	$ 3,120,104	$ 3,120,104

	2019			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 18,902,022	$ -	$ -	$ 18,902,022
Mutual funds	28,054,755	-	-	28,054,755
Fixed income funds	-	15,407,173	-	15,407,173
Subtotal	$ 46,956,777	$ 15,407,173	$ -	62,363,950
Alternative investments (1)				1,542,313
Total Investments at Fair Value				$ 63,906,263
Split-interest agreements	$ -	$ -	$ 2,932,356	$ 2,932,356

5. Fair Value Measurements *(continued)*

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

During 2020 and 2019, there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

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

	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund (see "a" below)	$ 1,485,462	$ 370,428	No redemptions	N/A
Hedge fund (see "b" below)	684	-	No redemptions	N/A
Total	$ 1,486,146	$ 370,428		

	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund (see "a" below)	$ 1,541,385	$ 471,519	No redemptions	N/A
Hedge fund (see "b" below)	928	-	No redemptions	N/A
Total	$ 1,542,313	$ 471,519		

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 strategy 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.

The investments measured at NAV at December 31, 2020 and 2019, were subject to lock-up or other liquidity restrictions even though they might otherwise be redeemable in the near term.

5. Fair Value Measurements *(continued)*

The following is a reconciliation of the beginning and ending balances for Level 3 assets during 2020 and 2019:

	Balance, January 1, 2020	Purchases/ Additions	Change in Fair Value	Redemptions	Balance, December 31, 2020
Split-interest agreements	$ 2,932,356	$ -	$ 237,074	$ (49,326)	$ 3,120,104

	Balance, January 1, 2019	Purchases/ Additions	Change in Fair Value	Redemptions	Balance, December 31, 2019
Split-interest agreements	$ 2,612,176	$ -	$ 375,157	$ (54,977)	$ 2,932,356

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

Property and equipment consists of the following at December 31:

	2020	2019
Land	$ 1,676,075	$ 1,676,075
Buildings and building improvements	64,163,658	60,227,235
Furniture and equipment	12,955,751	12,410,611
Equipment under capital lease	191,956	191,956
Computer hardware and software	4,267,059	4,217,249
Leasehold improvements	171,875	-
	83,426,374	78,723,126
Accumulated depreciation	(47,531,913)	(44,638,222)
Accumulated depreciation, equipment under capital lease	(83,179)	(63,984)
Amortization of leasehold improvements	(28,646)	-
	35,782,636	34,020,920
Capital projects in process	7,062,702	8,332,578
	$ 42,845,338	$ 42,353,498

Depreciation and amortization expense was $2,941,532 and $2,836,527 for 2020 and 2019, including $19,195 of depreciation on equipment under capital leases in both 2020 and 2019.

8. 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:

	2020	2019
Financial assets at year end:		
Cash	$ 6,529,616	$ 1,864,453
Accounts receivable, net	1,373,194	896,261
Contributions and pledges receivable, net	13,161,420	19,584,775
Investments	71,635,867	56,310,614
Total Financial Assets	92,700,097	78,656,103
Less amounts unavailable for general expenditure:		
Contributions and pledges receivable with donor restricted purposes	12,110,573	17,789,276
Donor restricted amounts held in cash and investments	33,521,253	27,816,440
Non-liquid investments	1,486,146	1,542,313
	47,117,972	47,148,029
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year	$ 45,582,125	$ 31,508,074

8. Liquidity and Availability of Financial Assets *(continued)*

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.

9. Capital Lease Obligation

Future minimum lease payments related to capital leases are $25,134 and the amount representing interest is $384 for the year ending December 31, 2021. Net present value of future minimum lease payments related to capital leases is $24,750 at December 31, 2020.

10. 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 for the years ending December 31:

2021	$ 233,859
2022	241,805
2023	250,020
2024	257,702
2025	267,271
Thereafter	8,167,553
Total	$ 9,418,210

Interest expense on the mortgage amounted to $320,100 and $326,630 for the years ended December 31, 2020 and 2019.

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:

	2020	2019
Mortgage loan payable	$ 9,418,210	$ 9,643,511
Less unamortized debt issuance costs	(28,930)	(34,230)
Mortgage Loan Payable, net	$ 9,389,280	$ 9,609,281

11. 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. AMC is currently in the process of terminating the Plan as approved by the Board of Trustees. The estimated costs related to the termination cannot be determined at this time.

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

	2020	2019
Projected benefit obligation	$ 10,936,680	$ 8,438,214
Fair value of plan assets	8,183,529	8,220,795
Funded status	$ (2,753,151)	$ (217,419)
Net accrued benefit cost recognized in the statement of financial position	$ (2,753,151)	$ (217,419)
Accumulated benefit obligation	10,936,680	8,438,214
Employer contributions	-	-
Net periodic benefit cost recognized in the statement of activities	308,276	181,456
Amortization of amounts previously not recognized as a component of net periodic benefit cost	(149,497)	(24,261)
Benefits paid during the year	223,863	148,734
Weighted average assumptions as of December 31		
Discount rate	2.23%	3.09%
Rate of compensation increase	N/A	N/A
Expected long-term rate on plan assets	2.50%	2.75%

11. Pension Plans *(continued)*

Defined Benefit Plan (continued)

The following table reflects components of the net periodic pension cost recognized in the statement of activities for the years ended December 31, 2020 and 2019:

	2020	2019
Service cost	$ 30,000	$ 30,000
Interest cost	293,560	317,932
Actual return on plan assets	(183,526)	(213,471)
Amortization of prior service cost	149,497	24,261
Recognized net loss	18,745	22,734
Net periodic pension cost, prior to significant event recognition	308,276	181,456
Additional amount recognized due to significant event recognition	-	93,634
Net Periodic Pension Cost	$ 308,276	$ 275,090

The table below reflects the amounts recognized as other changes in net assets without donor restrictions arising from the Plan at December 31, 2020 and 2019 that have not yet been recognized in net periodic pension cost:

	2020	2019
Net actuarial loss	$ 3,828,305	$ 1,600,849

The following table shows estimated future benefits expected to be paid from the Plan for the years ending December 31, however, AMC plans to have all benefits paid and the Plan terminated by December 31, 2021.

2021	$ 3,642,000
2022	322,000
2023	354,000
2024	330,000
2025	524,000
2026-2030	2,431,000

11. Pension Plans *(continued)*

Defined Benefit Plan (continued)

The 2.50% 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, 2020 and 2019, are as follows:

	2020	2019
Money market funds	$ 137,433	$ 284,467
Mutual funds	8,046,096	7,936,328
	$ 8,183,529	$ 8,220,795

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.

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 years ended December 31, 2020 and 2019, AMC recognized an expense of $116,192 and $176,326 for the employer match.

12. Paycheck Protection Program Loan

On April 10, 2020, AMC received loan proceeds in the amount of $5,239,115 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times their 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act as amended, over a period between eight to twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is approved by the United States Small Business Administration ("SBA"). If AMC does not apply for forgiveness, payments begin approximately 16 months after the loan date.

As of December 31, 2020, the PPP loan is recognized as a debt on the statement of financial position. AMC will recognize the income from the forgiveness of the PPP loan when it receives the notification of forgiveness from SBA in accordance with Accounting Standards Codification ("ASC") 470 Debt. Although AMC believes this loan will be substantially or fully forgiven, there can be no guarantee that the SBA will approve the loan forgiveness.

The SBA has stated it will review the needs certification on all loans over $2,000,000. After the review, the SBA may determine that AMC did not meet the need criteria to apply for the PPP loan. In such a circumstance, AMC may be forced to return all or part of the PPP loan proceeds plus pay the accrued and unpaid interest. AMC believes it was eligible to receive the PPP loan proceeds.

13. 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.

13. Endowment Funds *(continued)*

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 a spend rate to determine the annual maximum amount to appropriate from its endowment funds, including those endowment funds deemed to be underwater. The spend rate, approved and adjusted from time to time by the Board of Trustees, is 5% of the fair market value of the aggregate endowment balance at December 31 of the prior year. When establishing the spend rate, the Board of Trustees considered the long-term expected return on the endowment balance, with the objective of maintaining its purchasing power over time.

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:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose Restricted	Endowment Funds	Total
Balance, December 31, 2018	$ -	$ (279,644)	$ 7,595,649	$ 7,316,005
Investment income	-	119,210	-	119,210
Capital appreciation	-	1,172,551	-	1,172,551
Balance, December 31, 2019	-	1,012,117	7,595,649	8,607,766
Investment income	-	79,836	-	79,836
Capital appreciation	-	839,757	-	839,757
Appropriations for operations	759,087	(759,087)	-	-
Expenditures for operations	(759,087)	-	-	(759,087)
Balance, December 31, 2020	$ -	$ 1,172,623	$ 7,595,649	$ 8,768,272

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.

13. Endowment Funds *(continued)*

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. There were no underwater endowment funds at December 31, 2020 and 2019.

14. Net Assets with Donor Restrictions

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

	2020	2019
Subject to expenditure for a specified purpose:		
Charity care	$ 710,399	$ 1,004,264
Research/case studies	1,760,233	1,587,051
Building improvements and equipment	38,286,748	38,277,437
Education and other	1,059,798	1,034,456
Unappropriated endowment earnings	1,172,623	1,012,117
	42,989,801	42,915,325
Subject to the passage of time:		
For periods after December 31, 2020	4,909,327	5,035,797
Held as endowment in perpetuity:		
Donor restricted endowment	7,595,649	7,595,649
Split interest agreement - perpetual trust	1,100,085	1,041,660
	8,695,734	8,637,309
Total Net Assets with Donor Restrictions	$ 56,594,862	$ 56,588,431

14. Net Assets with Donor Restrictions *(continued)*

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

	2020	2019
Program restrictions accomplished:		
Charity care	$ 1,137,821	$ 1,177,849
Research/case studies	114,920	58,423
Building improvements and equipment	3,022,102	2,773,143
Education and other	774,869	262,644
	5,049,712	4,272,059
Time restrictions expired	526,954	597,964
Total Restrictions Released	$ 5,576,666	$ 4,870,023

15. Commitment

AMC leases space at 504 East 63rd Street under a noncancelable operating lease agreement. The lease commenced in 2020 and expires in 2025. Future minimum lease payments are as follows:

2021	$ 206,395
2022	212,587
2023	218,965
2024	225,534
2025	37,772
Total	$ 901,253

Rent expense totaled $176,741 and $0 for the years ended December 31, 2020 and 2019.

16. COVID-19

The ongoing COVID-19 pandemic has resulted in substantial volatility in the global economy. The pandemic may potentially have an adverse effect on the results of operations. While management has implemented measures to mitigate the impact of the pandemic, including obtaining a PPP loan under the CARES Act as detailed in Note 12, the extent to which AMC's operations are impacted will depend on future developments, which are highly uncertain and cannot be predicted. As a result, management cannot reasonably estimate the overall impact of the Coronavirus pandemic to AMC's future results of operations, cash flows, and financial condition.

* * * * *