

# **The Animal Medical Center**

Financial Statements

December 31, 2021

## **Independent Auditors' Report**

### **Board of Trustees The Animal Medical Center**

#### ***Opinion***

We have audited the accompanying financial statements of The Animal Medical Center ("AMC"), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Animal Medical Center as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***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 The Animal Medical Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

***Report on Summarized Comparative Information***

We have previously audited The Animal Medical Center's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

April 19, 2022

## The Animal Medical Center

### Statement of Financial Position

December 31, 2021

(with comparative amounts at December 31, 2020)

	2021	2020
<b>ASSETS</b>		
Cash	\$ 5,664,107	\$ 6,529,616
Accounts receivable, net	1,251,784	1,373,194
Contributions and pledges receivable, net	9,402,423	13,161,420
Prepaid expenses and other assets	1,327,170	1,505,082
Investments	91,417,833	71,635,867
Split-interest agreements - charitable remainder trusts	2,230,379	2,020,019
Property and equipment, net	56,882,349	42,845,338
Prepaid pension plan cost	-	1,075,154
Split-interest agreements - perpetual trusts	1,177,303	1,100,085
Restricted investments	7,595,649	7,595,649
	\$ 176,948,997	\$ 148,841,424
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 9,876,629	\$ 7,210,450
Deferred revenue	96,933	255,459
Capital lease payable	-	24,750
Paycheck Protection Program loan payable	-	5,239,115
Mortgage loan payable, net	9,160,721	9,389,280
Accrued pension plan cost	-	3,828,305
Total Liabilities	19,134,283	25,947,359
Net Assets		
Without Donor Restrictions		
Operating	53,415,247	32,843,145
Investment in property and equipment	47,721,628	33,456,058
	101,136,875	66,299,203
With donor restrictions	56,677,839	56,594,862
Total Net Assets	157,814,714	122,894,065
	\$ 176,948,997	\$ 148,841,424

See notes to financial statements

## The Animal Medical Center

### Statement of Activities Year Ended December 31, 2021 (with summarized totals for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>OPERATING REVENUE AND SUPPORT</b>				
Professional services revenue	\$ 57,290,780	\$ -	\$ 57,290,780	\$ 48,907,647
Restricted contributions	-	2,343,007	2,343,007	1,173,178
Investment return	-	1,462,177	1,462,177	1,168,891
Donated goods	134,170	-	134,170	135,864
Housing revenue	1,804,025	-	1,804,025	2,016,179
Other income	258,934	-	258,934	423,303
Net assets released from restrictions	17,836,094	(17,836,094)	-	-
Total Operating Revenue and Support	<u>77,324,003</u>	<u>(14,030,910)</u>	<u>63,293,093</u>	<u>53,825,062</u>
<b>OPERATING EXPENSES</b>				
Program Expenses				
Professional care, education and research	43,791,444	-	43,791,444	38,566,578
Housing expenses	1,697,534	-	1,697,534	1,738,471
Management and General				
General services	7,434,965	-	7,434,965	6,669,354
Fiscal services	3,834,333	-	3,834,333	3,472,931
Administrative services	2,604,904	-	2,604,904	2,788,122
Total Operating Expenses	<u>59,363,180</u>	<u>-</u>	<u>59,363,180</u>	<u>53,235,456</u>
Income (Loss) from Operations Before Depreciation and Amortization	17,960,823	(14,030,910)	3,929,913	589,606
Depreciation and amortization	3,000,417	-	3,000,417	2,935,962
Income (Loss) from Operations	<u>14,960,406</u>	<u>(14,030,910)</u>	<u>929,496</u>	<u>(2,346,356)</u>
<b>NONOPERATING REVENUE AND EXPENSES</b>				
Contributions and bequests	9,214,318	13,826,310	23,040,628	7,885,466
Changes in split-interest agreements	-	287,577	287,577	187,748
Special event revenue, net of costs with direct benefit to donors of \$423,180 and \$299,275	1,551,967	-	1,551,967	1,148,037
Investment return	4,671,107	-	4,671,107	3,503,957
Fundraising expenses	(1,451,750)	-	(1,451,750)	(1,410,838)
Change in Net Assets Before Other Changes	<u>28,946,048</u>	<u>82,977</u>	<u>29,029,025</u>	<u>8,968,014</u>
<b>OTHER CHANGES</b>				
Net periodic pension costs, except service cost	(234,000)	-	(234,000)	(278,276)
Forgiveness of Paycheck Protection Program loan	5,239,115	-	5,239,115	-
Pension settlement	854,276	-	854,276	-
Pension liability adjustment	32,233	-	32,233	(2,227,456)
Change in Net Assets	<u>34,837,672</u>	<u>82,977</u>	<u>34,920,649</u>	<u>6,462,282</u>
<b>NET ASSETS</b>				
Beginning of the year	<u>66,299,203</u>	<u>56,594,862</u>	<u>122,894,065</u>	<u>116,431,783</u>
End of the year	<u>\$ 101,136,875</u>	<u>\$ 56,677,839</u>	<u>\$ 157,814,714</u>	<u>\$ 122,894,065</u>

See notes to financial statements

## The Animal Medical Center

### Statement of Functional Expenses

Year Ended December 31, 2021

(with summarized totals for the year ended December 31, 2020)

	Professional Care, Education and Research	Housing Expenses	General Services	Fiscal Services	Administrative Services	Fundraising	2021 Total	2020 Total
Salaries and benefits	\$ 31,993,476	\$ 305,921	\$ 5,011,566	\$ 2,084,268	\$ 2,054,025	\$ 995,017	\$ 42,444,273	\$ 37,446,299
Purchased services	2,386,596	360,377	1,087,002	866,113	203,832	134,709	5,038,629	5,018,055
Supplies	6,062,813	14,407	105,881	63,600	44,401	5,000	6,296,102	5,823,170
Utilities	661,588	263,389	413,493	124,048	82,699	41,349	1,586,566	1,421,864
Repairs and maintenance	765,157	210,522	394,323	288,771	83,949	-	1,742,722	1,797,125
Cost of special events	-	-	-	-	-	423,180	423,180	299,275
Bank and credit card fees	1,314,413	-	-	-	78	29,096	1,343,587	1,137,749
Computers and printers	396	-	95	306,617	-	-	307,108	346,220
Interest	-	316,842	-	718	-	-	317,560	326,785
Real estate taxes	-	216,968	-	-	-	-	216,968	236,263
Other	607,005	9,108	422,605	100,198	135,920	241,009	1,515,845	1,087,194
Subtotal	43,791,444	1,697,534	7,434,965	3,834,333	2,604,904	1,869,360	61,232,540	54,939,999
Less: cost of special events	-	-	-	-	-	(423,180)	(423,180)	(299,275)
Total Expenses Before Depreciation and Amortization	43,791,444	1,697,534	7,434,965	3,834,333	2,604,904	1,446,180	60,809,360	54,640,724
Depreciation and amortization	823,319	662,323	1,336,753	158,512	19,510	5,570	3,005,987	2,941,532
Total Expenses	<u>\$ 44,614,763</u>	<u>\$ 2,359,857</u>	<u>\$ 8,771,718</u>	<u>\$ 3,992,845</u>	<u>\$ 2,624,414</u>	<u>\$ 1,451,750</u>	<u>\$ 63,815,347</u>	<u>\$ 57,582,256</u>

See notes to financial statements

## The Animal Medical Center

### Statement of Cash Flows Year Ended December 31, 2021

(with comparative amounts for the year ended December 31, 2020)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 34,920,649	\$ 6,462,282
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	3,005,987	2,941,532
Amortization of debt issuance costs	5,300	5,300
Net realized and unrealized gain on investments	(5,723,394)	(4,127,384)
Provision for uncollectible accounts	301,317	83,421
Changes in fair value of split-interest agreements	(347,542)	(237,074)
Pension settlement	(854,276)	-
Pension benefit liability adjustment	(32,233)	2,227,456
Change in present value discount of pledges receivable	(94,805)	(349,697)
Cash received for capital campaign	(17,555,452)	(8,930,772)
Forgiveness of Paycheck Protection Program loan	(5,239,115)	-
Changes in operating assets and liabilities		
Accounts receivable	(179,907)	(560,354)
Contributions and pledges receivable	3,853,802	6,773,052
Prepaid expenses and other assets	177,912	(201,213)
Prepaid pension plan cost	(1,866,642)	308,276
Accounts payable and accrued expenses	2,666,179	1,105,164
Deferred revenue	(158,526)	(156,592)
Net Cash from Operating Activities	12,879,254	5,343,397
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments	112,872,779	114,618,046
Purchase of investments	(126,931,351)	(125,815,915)
Acquisition of property and equipment	(17,042,998)	(3,433,372)
Redemptions of split-interest agreements	59,964	49,326
Net Cash from Investing Activities	(31,041,606)	(14,581,915)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long term debt	(233,859)	(225,301)
Proceeds from Paycheck Protection Program loan	-	5,239,115
Payments on capital lease obligation	(24,750)	(40,905)
Cash contributions restricted for capital campaign	17,555,452	8,930,772
Net Cash from Financing Activities	17,296,843	13,903,681
Change in Cash	(865,509)	4,665,163
<b>CASH</b>		
Beginning of year	6,529,616	1,864,453
End of year	\$ 5,664,107	\$ 6,529,616
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	\$ 312,260	\$ 321,485

See notes to financial statements

# The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

## 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.

### ***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, 2021 and 2020.

### ***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.



## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

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

#### ***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 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.

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 and are included within interest expense.

AMC recognized deferred debt issuance costs of \$53,000 on the refinanced mortgage obtained in 2016. For each of the years ended December 31, 2021 and 2020, amortization expense related to the debt issuance costs was \$5,300.

## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

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

#### ***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, 2021 and 2020.

#### ***Functional Allocation of Expenses***

The statement of functional expenses presents 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.

## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

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

#### ***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.

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 2021 and 2020, AMC received contributions of pet food valued at \$134,170 and \$135,864, and used \$120,388 and \$144,957 during the same periods.

## **The Animal Medical Center**

Notes to Financial Statements  
December 31, 2021

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

#### ***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 \$257,319 and \$258,141 in 2021 and 2020.

#### ***2020 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, 2020 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 2018.

#### ***Reclassifications***

Certain 2020 amounts have been reclassified to conform to the 2021 financial statement presentation. The reclassifications had no effect on 2020 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 19, 2022.

## The Animal Medical Center

Notes to Financial Statements  
December 31, 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, 2021 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:

	<u>2021</u>	<u>2020</u>
Due within:		
Up to one year	\$ 7,481,837	\$ 7,686,650
One to five years	<u>3,079,776</u>	<u>6,728,765</u>
	10,561,613	14,415,415
Discount to present value	(159,183)	(253,988)
Allowance for doubtful accounts	<u>(1,000,007)</u>	<u>(1,000,007)</u>
Contributions and pledges receivable, net	<u>\$ 9,402,423</u>	<u>\$ 13,161,420</u>

### 5. Conditional Promise to Give

During 2021, AMC received a conditional grant totaling \$25,000,000, which contains conditions regarding the achievement of certain criteria, as outlined in the grant agreement. Since this grant represents a conditional promise to give, it will not be recognized as revenue until the stated conditions are met. Payments under this agreement will be made in three annual installments once the conditions applicable to each installment payment are achieved by AMC. As of December 31, 2021, the conditions of the first installment were met and AMC received the first installment of approximately \$8,400,000, which was recognized as revenue in the 2021 statement of activities.

## The Animal Medical Center

### Notes to Financial Statements December 31, 2021

#### 6. 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:

	2021			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$46,482,701	\$ -	\$ -	\$46,482,701
Mutual funds	15,372,842	-	-	15,372,842
Fixed income funds	-	<u>35,395,354</u>	-	<u>35,395,354</u>
Subtotal	<u>\$61,855,543</u>	<u>\$35,395,354</u>	<u>\$ -</u>	97,250,897
Alternative investments (1)				<u>1,762,585</u>
Total Investments at Fair Value				<u>\$99,013,482</u>
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,407,682</u>	<u>\$ 3,407,682</u>
	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	-	<u>10,660,440</u>	-	<u>10,660,440</u>
Subtotal	<u>\$67,084,930</u>	<u>\$10,660,440</u>	<u>\$ -</u>	77,745,370
Alternative investments (1)				<u>1,486,146</u>
Total Investments at Fair Value				<u>\$79,231,516</u>
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,120,104</u>	<u>\$ 3,120,104</u>

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

During 2021 and 2020, there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

### 6. Fair Value Measurements *(continued)*

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

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund (see "a" below)	\$ 1,762,313	\$ 319,925	No redemptions	N/A
Hedge fund (see "b" below)	272	-	No redemptions	N/A
Total	\$ 1,762,585	\$ 319,925		
	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		

- 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, 2021 and 2020, were subject to lock-up or other liquidity restrictions even though they might otherwise be redeemable in the near term.

## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

### 6. Fair Value Measurements *(continued)*

The following is a reconciliation of the beginning and ending balances for Level 3 assets during 2021 and 2020:

	Balance, January 1, 2021	Purchases/ Additions	Change in Fair Value	Redemptions	Balance, December 31, 2021
Split-interest agreements	<u>\$ 3,120,104</u>	<u>\$ -</u>	<u>\$ 347,542</u>	<u>\$ (59,964)</u>	<u>\$ 3,407,682</u>
	Balance, January 1, 2020	Purchases/ Additions	Change in Fair Value	Redemptions	Balance, December 31, 2020
Split-interest agreements	<u>\$ 2,932,356</u>	<u>\$ -</u>	<u>\$ 237,074</u>	<u>\$ (49,326)</u>	<u>\$ 3,120,104</u>

### 7. 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.



## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

### 8. Property and Equipment

Property and equipment consists of the following at December 31:

	2021	2020
Land	\$ 1,676,075	\$ 1,676,075
Buildings and building improvements	64,353,835	64,163,658
Furniture and equipment	14,255,624	12,955,751
Equipment under capital lease	-	191,956
Computer hardware and software	4,280,476	4,267,059
Leasehold improvements	171,875	171,875
	84,737,885	83,426,374
Accumulated depreciation	(50,586,704)	(47,531,913)
Accumulated depreciation, equipment under capital lease	-	(83,179)
Amortization of leasehold improvements	(63,021)	(28,646)
	34,088,160	35,782,636
Capital projects in process	22,794,189	7,062,702
	\$ 56,882,349	\$ 42,845,338

Depreciation and amortization expense was \$3,005,987 and \$2,941,532 for 2021 and 2020, including \$24,749 and \$19,195 of depreciation on equipment under capital leases in 2021 and 2020.

### 9. 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:

	2021	2020
Financial assets at year end:		
Cash	\$ 5,664,107	\$ 6,529,616
Accounts receivable, net	1,251,784	1,373,194
Contributions and pledges receivable, net	9,402,423	13,161,420
Investments	91,417,833	71,635,867
Total Financial Assets	107,736,147	92,700,097
Less amounts unavailable for general expenditure:		
Contributions and pledges receivable with donor restricted purposes	8,195,131	12,110,573
Donor restricted amounts held in cash and investments	37,209,709	33,521,253
Non-liquid investments	1,762,585	1,486,146
	47,167,425	47,117,972
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year	\$ 60,568,722	\$ 45,582,125

## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

### 9. 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.

### 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:

2022	\$ 241,805
2023	250,020
2024	257,702
2025	267,271
2026	<u>8,167,553</u>
Total	<u>\$ 9,184,351</u>

Interest expense on the mortgage amounted to \$316,842 and \$325,400 for the years ended December 31, 2021 and 2020.

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:

	<u>2021</u>	<u>2020</u>
Mortgage loan payable	\$ 9,184,351	\$ 9,418,210
Less unamortized debt issuance costs	<u>(23,630)</u>	<u>(28,930)</u>
Mortgage Loan Payable, net	<u>\$ 9,160,721</u>	<u>\$ 9,389,280</u>

## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

### 11. Pension Plans

#### ***Defined Benefit Plan***

AMC maintained a noncontributory defined benefit pension plan (the "Plan") covering substantially all employees. The Plan provided 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. The Plan was terminated with final payments made during the year ended December 31, 2021. At December 31, 2021, no liability remains.

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

	2021	2020
Projected benefit obligation	\$ -	\$ 10,936,680
Fair value of plan assets	-	8,183,529
Funded status	\$ -	\$ (2,753,151)
Net accrued benefit cost recognized in the statement of financial position	\$ -	\$ (2,753,151)
Accumulated benefit obligation	-	10,936,680
Employer contributions	2,150,642	-
Net periodic benefit cost recognized in the statement of activities	284,000	308,276
Amortization of amounts previously not recognized as a component of net periodic benefit cost	(149,000)	(149,497)
Benefits paid during the year	55,922	223,863
Weighted average assumptions as of December 31		
Discount rate	N/A	2.23%
Rate of compensation increase	N/A	N/A
Expected long-term rate on plan assets	N/A	2.50%

## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

### 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Service cost	\$ 50,000	\$ 30,000
Interest cost	244,000	293,560
Actual return on plan assets	(205,000)	(183,526)
Amortization of prior service cost	149,000	149,497
Recognized net loss	<u>46,000</u>	<u>18,745</u>
Net Periodic Pension Cost	<u>\$ 284,000</u>	<u>\$ 308,276</u>

The table below reflects the amounts recognized as other changes in net assets without donor restrictions arising from the Plan at December 31, 2021 and 2020 that have not yet been recognized in net periodic pension cost:

	<u>2021</u>	<u>2020</u>
Net actuarial loss	<u>\$ -</u>	<u>\$ 3,828,305</u>

The 2.50% long-term rate of return on Plan assets was determined by calculating a total fund return estimate based on a weighted-average of estimated returns for each asset class. Asset class returns were 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 had a direct impact on its funded status.

#### Plan Assets

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

## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

### 11. Pension Plans (*continued*)

The fair value of AMC's pension plan assets by asset category at December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ -	\$ 137,433
Mutual funds	-	<u>8,046,096</u>
	<u>\$ -</u>	<u>\$ 8,183,529</u>

AMC's plan assets consisted 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, 2021 and 2020, AMC recognized an expense of \$206,418 and \$116,192 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.

As of December 31, 2020, the PPP loan was recognized as a debt on the statement of financial position. On August 9, 2021, the SBA forgave the PPP loan of \$5,239,115 in full. The loan forgiveness is included within Other Changes in the accompanying 2021 statement of activities.

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.

## **The Animal Medical Center**

Notes to Financial Statements  
December 31, 2021

### **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.

#### ***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 value of the aggregate endowment balance at December 31 of the prior year. When establishing the spend rate, the Board of Trustees consider the long-term expected return on the endowment balance, with the objective of maintaining its purchasing power over time.

**The Animal Medical Center**

Notes to Financial Statements  
December 31, 2021

**13. 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 Restrictions	With Donor Restrictions		Total
		Purpose Restricted	Endowment Funds	
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	<u>(759,087)</u>	<u>-</u>	<u>-</u>	<u>(759,087)</u>
Balance, December 31, 2020	-	1,172,623	7,595,649	8,768,272
Investment income	-	72,723	-	72,723
Capital appreciation	-	1,100,279	-	1,100,279
Appropriations for operations	438,414	(438,414)	-	-
Expenditures for operations	<u>(438,414)</u>	<u>-</u>	<u>-</u>	<u>(438,414)</u>
Balance, December 31, 2021	<u>\$ -</u>	<u>\$ 1,907,211</u>	<u>\$ 7,595,649</u>	<u>\$ 9,502,860</u>

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. There were no underwater endowment funds at December 31, 2021 and 2020.

**The Animal Medical Center**

Notes to Financial Statements  
December 31, 2021

**14. Net Assets with Donor Restrictions**

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

	2021	2020
Subject to expenditure for a specified purpose:		
Charity care	\$ 1,169,617	\$ 710,399
Research/case studies	1,845,812	1,760,233
Building improvements and equipment	36,712,733	38,286,748
Education and other	1,383,361	1,059,798
Unappropriated endowment earnings	1,907,211	1,172,623
	43,018,734	42,989,801
Subject to the passage of time:		
For periods after December 31, 2021	4,886,153	4,909,327
Held as endowment in perpetuity:		
Donor restricted endowment	7,595,649	7,595,649
Split interest agreement - perpetual trust	1,177,303	1,100,085
	8,772,952	8,695,734
Total Net Assets with Donor Restrictions	\$ 56,677,839	\$ 56,594,862

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

	2021	2020
Program restrictions accomplished:		
Charity care	\$ 1,218,933	\$ 1,137,821
Research/case studies	130,377	114,920
Building improvements and equipment	15,374,235	3,022,102
Education and other	563,751	774,869
	17,287,296	5,049,712
Time restrictions expired	548,798	526,954
Total Restrictions Released	\$ 17,836,094	\$ 5,576,666



## The Animal Medical Center

Notes to Financial Statements  
December 31, 2021

### 15. Commitments

AMC leases space at 504 East 63<sup>rd</sup> Street under a noncancelable operating lease agreement. The lease commenced in 2020 and expires in 2025. In addition, AMC leases space at 425 East 61<sup>st</sup> Street under a noncancelable operating lease agreement. The lease commenced in 2021 and expires in 2024. Future minimum lease payments are as follows:

2022	\$	279,587
2023		285,965
2024		259,034
2025		<u>37,772</u>
Total	\$	<u>862,358</u>

Rent expense totaled \$250,623 and \$176,741 for the years ended December 31, 2021 and 2020.

### 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.

\* \* \* \* \*