

**The Animal Medical Center D/B/A Stephen & Christine  
Schwarzman Animal Medical Center**

Financial Statements

December 31, 2024



## **Independent Auditors' Report**

### **Board of Trustees The Animal Medical Center D/B/A Stephen & Christine Schwarzman Animal Medical Center**

#### ***Opinion***

We have audited the accompanying financial statements of The Animal Medical Center d/b/a Stephen & Christine Schwarzman Animal Medical Center ("AMC"), which comprise the statement of financial position as of December 31, 2024, 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 AMC as of December 31, 2024, 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 AMC 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 AMC'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 AMC'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 AMC'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 AMC's December 31, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 8, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

May 28, 2025

**The Animal Medical Center**  
**d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Statement of Financial Position  
December 31, 2024  
(with comparative amounts at December 31, 2023)

	2024	2023
<b>ASSETS</b>		
Cash	\$ 827,342	\$ 3,417,311
Accounts receivable, net of allowance for credit losses of \$300,000 for 2024 and 2023	2,677,182	1,418,802
Contributions and pledges receivable, net	7,880,397	11,198,250
Prepaid expenses and other assets	2,279,859	1,718,328
Investments	39,760,332	58,069,318
Split-interest agreements - charitable remainder trusts	2,131,063	2,009,968
Right of use assets - operating leases, net	2,941,992	282,386
Right of use asset - finance lease, net	1,202,324	1,537,856
Property and equipment, net	158,595,123	132,318,565
Split-interest agreements - perpetual trusts	1,033,360	999,393
Restricted investments	6,395,649	7,595,649
	\$ 225,724,623	\$ 220,565,826
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 13,482,176	\$ 12,431,629
Construction retainage payable	3,706,808	5,454,239
Deferred revenue	196,596	87,518
Operating lease liabilities	3,059,514	289,692
Finance lease liability	1,223,729	1,545,841
Mortgage loan payable, net	8,427,095	8,679,496
Total Liabilities	30,095,918	28,488,415
Net Assets		
Without donor restrictions	138,547,352	139,142,022
With donor restrictions	57,081,353	52,935,389
Total Net Assets	195,628,705	192,077,411
	\$ 225,724,623	\$ 220,565,826

See notes to financial statements

**The Animal Medical Center**  
**d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Statement of Activities  
Year Ended December 31, 2024  
(with summarized totals for the year ended December 31, 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
<b>OPERATING REVENUE AND SUPPORT</b>				
Professional services revenue, net	\$ 74,546,320	\$ -	\$ 74,546,320	\$ 65,392,495
Restricted contributions	-	1,768,993	1,768,993	3,432,465
Investment return	-	1,399,993	1,399,993	1,395,955
Donated goods	76,602	-	76,602	81,202
Housing revenue	1,721,413	-	1,721,413	1,583,719
Other income	288,971	-	288,971	366,045
Net assets released from restrictions	3,256,082	(3,256,082)	-	-
Total Operating Revenue and Support	79,889,388	(87,096)	79,802,292	72,251,881
<b>OPERATING EXPENSES</b>				
Program Expenses				
Professional care, education and research	62,805,888	-	62,805,888	54,986,651
Housing expenses	2,182,804	-	2,182,804	1,822,237
Management and General				
General services	12,098,183	-	12,098,183	9,967,364
Fiscal services	4,877,512	-	4,877,512	4,201,957
Administrative services	4,495,609	-	4,495,609	3,420,043
Total Operating Expenses	86,459,996	-	86,459,996	74,398,252
Income (Loss) from Operations Before Depreciation and Amortization	(6,570,608)	(87,096)	(6,657,704)	(2,146,371)
Depreciation and amortization	5,345,661	-	5,345,661	4,515,944
Income (Loss) from Operations	(11,916,269)	(87,096)	(12,003,365)	(6,662,315)
<b>NONOPERATING REVENUE AND EXPENSES</b>				
Contributions and bequests	5,751,200	5,277,998	11,029,198	15,559,340
Changes in split-interest agreements	-	155,062	155,062	169,527
Special event revenue, net of costs with direct benefit to donors of \$706,136 and \$547,581	1,616,072	-	1,616,072	1,661,785
Investment return	5,630,391	-	5,630,391	6,424,424
Release of endowment contribution	1,200,000	(1,200,000)	-	-
Fundraising expenses	(2,876,064)	-	(2,876,064)	(1,634,476)
Change in Net Assets	(594,670)	4,145,964	3,551,294	15,518,285
<b>NET ASSETS</b>				
Beginning of the year	139,142,022	52,935,389	192,077,411	176,559,126
End of the year	\$ 138,547,352	\$ 57,081,353	\$ 195,628,705	\$ 192,077,411

See notes to financial statements

**The Animal Medical Center**  
**d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Statement of Functional Expenses  
Year Ended December 31, 2024  
(with summarized totals for the year ended December 31, 2023)

	Professional Care, Education and Research	Housing Expenses	General Services	Fiscal Services	Administrative Services	Fundraising	2024 Total	2023 Total
Salaries and benefits	\$ 46,420,866	\$ 260,575	\$ 7,551,355	\$ 2,760,620	\$ 2,687,606	\$ 1,595,623	\$ 61,276,645	\$ 53,702,316
Purchased services	3,645,028	712,868	2,092,287	807,548	623,702	146,284	8,027,717	6,036,324
Supplies	7,799,665	8,561	181,566	71,311	44,128	3,176	8,108,407	7,242,860
Utilities	872,948	320,199	545,593	163,678	109,116	54,559	2,066,093	1,481,673
Repairs and maintenance	1,011,755	256,667	488,424	175,997	156,485	743	2,090,071	1,705,393
Leases	335,532	-	67,610	135,219	268,306	67,612	874,279	426,455
Cost of special events	-	-	-	-	-	706,136	706,136	547,581
Bank and credit card fees	1,786,981	-	-	-	892	56,555	1,844,428	1,613,033
Computers and printers	1,869	-	588	621,087	-	-	623,544	493,182
Interest	-	293,270	-	-	-	-	293,270	295,381
Real estate taxes	-	303,631	-	-	-	-	303,631	268,561
Other	931,244	27,033	1,170,760	142,052	605,374	945,942	3,822,405	2,761,980
Subtotal	62,805,888	2,182,804	12,098,183	4,877,512	4,495,609	3,576,630	90,036,626	76,574,739
Less: cost of special events	-	-	-	-	-	(706,136)	(706,136)	(547,581)
Total Expenses Before Depreciation and Amortization	62,805,888	2,182,804	12,098,183	4,877,512	4,495,609	2,870,494	89,330,490	76,027,158
Depreciation and amortization	2,400,882	691,473	2,092,410	140,543	20,353	5,570	5,351,231	4,521,514
Total Expenses	<u>\$ 65,206,770</u>	<u>\$ 2,874,277</u>	<u>\$ 14,190,593</u>	<u>\$ 5,018,055</u>	<u>\$ 4,515,962</u>	<u>\$ 2,876,064</u>	<u>\$ 94,681,721</u>	<u>\$ 80,548,672</u>

See notes to financial statements

**The Animal Medical Center**  
**d/b/a Stephen Christine Schwarzman Animal Medical Center**

Statement of Cash Flows  
Year Ended December 31, 2024  
(with comparative amounts for the year ended December 31, 2023)

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,551,294	\$ 15,518,285
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	5,351,231	4,521,514
Amortization of debt issuance costs	5,300	5,300
Net realized and unrealized gain on investments	(5,645,014)	(5,850,354)
Allowance for credit losses	469,222	276,681
Changes in fair value of split-interest agreements	(207,001)	(227,568)
Change in present value discount of pledges receivable	(138,792)	(263,297)
Cash received for capital campaign	(9,869,285)	(16,211,096)
Amortization of right of use assets - operating leases	538,747	282,070
Amortization of right of use asset - finance lease	335,532	139,805
Changes in operating assets and liabilities		
Accounts receivable	(1,727,602)	(390,721)
Contributions and pledges receivable	3,456,645	5,470,370
Prepaid expenses and other assets	(561,531)	(293,738)
Accounts payable and accrued expenses	1,050,547	748,871
Construction retainage payable	(1,747,431)	2,135,813
Operating lease liabilities	(428,531)	(281,606)
Deferred revenue	109,078	(9,415)
Net Cash from Operating Activities	(5,457,591)	5,570,914
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments	73,044,515	146,575,206
Purchase of investments	(47,890,515)	(129,304,235)
Acquisition of property and equipment	(31,627,789)	(39,432,390)
Redemptions of split-interest agreements	51,939	58,041
Net Cash from Investing Activities	(6,421,850)	(22,103,378)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on mortgage loan payable	(257,701)	(250,020)
Payments on finance lease liability	(322,112)	(131,820)
Cash restricted for capital campaign	9,869,285	16,211,096
Net Cash from Financing Activities	9,289,472	15,829,256
Change in Cash	(2,589,969)	(703,208)
<b>CASH</b>		
Beginning of year	3,417,311	4,120,519
End of year	\$ 827,342	\$ 3,417,311
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	\$ 293,270	\$ 312,265
Construction costs included in accounts payable and accrued expenses	2,848,553	2,402,504
Operating right of use assets recognized in exchange for lease liability	3,112,480	-
Finance right of use asset recognized in exchange for lease liability	-	1,677,661

See notes to financial statements

**The Animal Medical Center**  
**d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Notes to Financial Statements  
December 31, 2024

**1. Organization and Tax Status**

The Animal Medical Center d/b/a Stephen & Christine Schwarzman 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.

***Reclassification***

Certain amounts in the 2023 financial statements have been reclassified to conform with the 2024 presentation. The change in net assets is unchanged by these reclassifications.

***Accounts Receivable and Allowance for Credit Losses***

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. Accounts receivable are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The amount of accounts receivable and corresponding allowance for credit losses are presented on the statement of financial position. AMC maintains allowances for credit losses resulting from the expected failure or inability of its customers to make required payments. AMC recognizes the allowance for credit losses at inception and reassesses at every reporting date based on the asset’s expected collectability. The allowance is based on multiple factors including historical experience with uncollectible accounts, the aging of such receivables and current macroeconomic conditions, as well as expectations of conditions in the future. AMC’s allowance for credit losses is based on the assessment of the collectability of assets pooled together with similar risk characteristics.

**The Animal Medical Center**  
**d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Notes to Financial Statements  
December 31, 2024

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

***Accounts Receivable and Allowance for Credit Losses (continued)***

AMC records a provision for expected credit losses using a historical loss-rate method based on the ratio of its historical write-offs to its average trade accounts receivable. At each reporting period, AMC assesses whether financial assets in a pool continue to display similar risk characteristics. If particular receivables no longer display risk characteristics that are similar to those of the receivables in the pool, AMC may determine that it needs to move those receivables to a different pool or perform an individual assessment of expected credit losses for those specific receivables. The allowance for credit losses was \$300,000 at December 31, 2024 and 2023.

***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. Inventories are reported within prepaid expenses and other assets in the accompanying statements of financial position.

***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.

**The Animal Medical Center**  
**d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Notes to Financial Statements  
December 31, 2024

**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 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, 2024 and 2023, amortization expense related to the debt issuance costs was \$5,300.

***Property and Equipment***

Property and equipment are stated at cost. Depreciation is calculated 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, 2024 and 2023.

***Leases***

AMC accounts for leases under Accounting Standards Update (“ASU”) No. 2016-02, *Leases*. AMC determines if an arrangement is a lease at inception. Leases are included in right-of-use (“ROU”) assets and lease liabilities in the statements of financial position. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months for which AMC made the short-term lease election.

**The Animal Medical Center**  
**d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Notes to Financial Statements  
December 31, 2024

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

***Leases (continued)***

Operating and finance lease ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. AMC has made an accounting policy election to use a risk-free rate, determined using a period comparable with that of the lease term, to discount future lease payments.

ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using AMC's risk-free rate. Operating and finance lease cost is recognized on a straight-line basis over the lease term within leases expense in the accompanying statement of functional expenses. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease. When it is reasonably certain that AMC will exercise that option, such amounts are included in the ROU assets and lease liabilities.

***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**  
**d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Notes to Financial Statements  
December 31, 2024

**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.

***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. Professional services receivables included in accounts receivable are as follows at December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Professional services receivables	\$ 2,677,182	\$ 1,418,802	\$ 1,304,762

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. Bequests are measured at their fair value when they are received unconditionally.

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. Bequests are measured at their fair value when they are received unconditionally.

Contributions and bequests 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.

**The Animal Medical Center**  
**d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Notes to Financial Statements  
December 31, 2024

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

***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 within supplies as professional care, education and research expense. Fair value is estimated using market value of similar goods available for purchase by AMC. During 2024 and 2023, AMC received contributions of pet food valued at \$76,602 and \$81,202, and used \$80,125 and \$81,644 during the same periods. There were no donor-imposed restrictions associated with the donated goods.

***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 \$286,152 and \$261,548 in 2024 and 2023.

***2023 Summarized Financial Information***

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or by natural and functional expense classification. 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, 2023 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 2021.

**The Animal Medical Center**  
**d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Notes to Financial Statements  
December 31, 2024

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

***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 28, 2025.

**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. At December 31, 2024 and 2023, approximately \$577,000 and \$3,167,000 of cash was maintained with an institution in excess of the Federal Deposit Insurance Corporation (“FDIC”) limits. 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 credit losses in accordance with U.S. GAAP.

**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, 2024 and 2023 with payments to be received after December 31, 2024 and 2023 are discounted to their present value using an interest rate of 3 - 4%. 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:

	2024	2023
Due within:		
Up to one year	\$ 4,763,162	\$ 6,853,141
One to four years	4,350,000	5,716,666
	9,113,162	12,569,807
Discount to present value	(232,758)	(371,550)
Allowance for doubtful accounts	(1,000,007)	(1,000,007)
Contributions and pledges receivable, net	\$ 7,880,397	\$ 11,198,250

**The Animal Medical Center  
d/b/a Stephen & Christine Schwarzman Animal Medical Center**

Notes to Financial Statements  
December 31, 2024

**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:

	2024			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 921,566	\$ -	\$ -	\$ 921,566
Mutual funds	33,831,134	-	-	33,831,134
Fixed income securities	-	10,324,256	-	10,324,256
Subtotal	<u>\$ 34,752,700</u>	<u>\$ 10,324,256</u>	<u>\$ -</u>	45,076,956
Alternative investments (1)				1,079,025
Total Investments at Fair Value				<u>\$ 46,155,981</u>
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,164,423</u>	<u>\$ 3,164,423</u>
	2023			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 16,428,068	\$ -	\$ -	\$ 16,428,068
Mutual funds	38,216,362	-	-	38,216,362
Fixed income securities	-	9,764,205	-	9,764,205
Subtotal	<u>\$ 54,644,430</u>	<u>\$ 9,764,205</u>	<u>\$ -</u>	64,408,635
Alternative investments (1)				1,256,332
Total Investments at Fair Value				<u>\$ 65,664,967</u>
Split-interest agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,009,361</u>	<u>\$ 3,009,361</u>

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

During 2024 and 2023, 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:

	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund (see "a" below)	<u>\$ 1,079,025</u>	<u>\$ 197,601</u>	**	**

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**5. Fair Value Measurements (continued)**

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund (see "a" below)	<u>\$ 1,256,332</u>	<u>\$ 231,018</u>	**	**

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 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.

\*\* The investments measured at NAV at December 31, 2024 and 2023 were subject to lock-up or other liquidity restrictions.

The following is a reconciliation of the beginning and ending balances for Level 3 assets during 2024 and 2023:

	Balance, January 1, 2024	Purchases/ Additions	Change in Fair Value	Redemptions	Balance, December 31, 2024
Split-interest agreements	<u>\$ 3,009,361</u>	<u>\$ -</u>	<u>\$ 207,001</u>	<u>\$ (51,939)</u>	<u>\$ 3,164,423</u>
	Balance, January 1, 2023	Purchases/ Additions	Change in Fair Value	Redemptions	Balance, December 31, 2023
Split-interest agreements	<u>\$ 2,839,834</u>	<u>\$ -</u>	<u>\$ 227,568</u>	<u>\$ (58,041)</u>	<u>\$ 3,009,361</u>

**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.

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**6. Split-Interest Agreements (continued)**

*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 consist of the following at December 31:

	2024	2023
Land	\$ 1,676,075	\$ 1,676,075
Buildings and building improvements	123,851,437	123,761,040
Furniture and equipment	17,381,962	16,521,419
Computer hardware and software	4,020,035	4,390,862
Leasehold improvements	195,626	171,875
	147,125,135	146,521,271
Accumulated depreciation	(63,167,783)	(58,285,436)
Amortization of leasehold improvements	(166,542)	(131,771)
	83,790,810	88,104,064
Capital projects in process	74,804,313	44,214,501
	\$ 158,595,123	\$ 132,318,565

Depreciation and amortization expense was \$5,351,231 and \$4,521,514 for 2024 and 2023.

Included in capital projects in progress are expenditures relating to AMC’s “Gift of Love” capital campaign. This capital campaign supports a 37,000 square foot expansion and renovation of the hospital including new, state of the art operating rooms, an expanded emergency room, intensive care unit, special care unit, a new outdoor dog run and park, a renovated first floor lobby and a new education and conference center. This building renovation and expansion is expected to be completed by year-end 2025. In connection with this, AMC is committed to various construction contracts totaling \$123,062,524. As of December 31, 2024, AMC has incurred \$113,718,936 of professional and construction costs related to these contracts, which have been recorded as capital projects in progress or in the case of the completed projects, placed into service.

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**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:

	2024	2023
Financial assets at year end:		
Cash	\$ 827,342	\$ 3,417,311
Accounts receivable, net	2,677,182	1,418,802
Contributions and pledges receivable, net	7,880,397	11,198,250
Investments	39,760,332	58,069,318
Total Financial Assets	51,145,253	74,103,681
Less amounts unavailable for general expenditure:		
Contributions and pledges receivable with donor restricted purposes	7,602,893	9,547,302
Donor restricted amounts held in cash and investments (non-endowment)	17,692,395	5,054,047
Non-liquid investments (non-endowment)	1,079,025	1,256,332
	26,374,313	15,857,681
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year	\$ 24,770,940	\$ 58,246,000

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. 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:

2025	\$ 267,271
2026	8,167,554
Total	\$ 8,434,825

Interest expense on the mortgage amounted to \$287,700 and \$295,381 for the years ended December 31, 2024 and 2023.

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**9. Mortgage Loan Payable (continued)**

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:

	2024	2023
Mortgage loan payable	\$ 8,434,825	\$ 8,692,526
Less unamortized debt issuance costs	(7,730)	(13,030)
Mortgage Loan Payable, net	\$ 8,427,095	\$ 8,679,496

**10. 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, 2024 and 2023, AMC recognized an expense of \$290,035 and \$242,071 for the employer match.

**11. Endowment Funds**

***Interpretation of Law***

AMC has interpreted the New York Prudent Management of Institutional Funds Act (“NYPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts.

As a result of this interpretation, AMC retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by AMC in a manner consistent with the standard of prudence prescribed by NYPMIFA.

***Return Objectives and Risk Parameters***

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

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**11. Endowment Fund (continued)**

***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 considers 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:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restricted	Endowment Funds	
Balance, December 31, 2022	\$ -	\$ 120,435	\$ 7,595,649	\$ 7,716,084
Investment income	-	112,560	-	112,560
Capital appreciation	-	983,678	-	983,678
Balance, December 31, 2023	-	1,216,673	7,595,649	8,812,322
Investment income	-	164,250	-	164,250
Capital appreciation	-	937,367	-	937,367
Appropriations for operations	440,616	(440,616)	-	-
Expenditures for operations	(1,640,616)	-	-	(1,640,616)
Release of endowment contribution	1,200,000	-	(1,200,000)	-
Balance, December 31, 2024	<u>\$ -</u>	<u>\$ 1,877,674</u>	<u>\$ 6,395,649</u>	<u>\$ 8,273,323</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. During 2024, \$1,200,000 of funds from one donor were released from the endowment funds and re-appropriated for operations. Prior consent was given by the donor in order to release these 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, 2024 and 2023.

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**12. Net Assets with Donor Restrictions**

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

	2024	2023
Subject to expenditure for a specified purpose:		
Charity care	\$ 1,025,011	\$ 1,310,188
Research/case studies	5,012,015	5,019,879
Building improvements and equipment	35,175,258	30,250,458
Education and other	1,983,729	2,313,161
Unappropriated endowment earnings	<u>1,877,674</u>	<u>1,216,673</u>
	<u>45,073,687</u>	<u>40,110,359</u>
Subject to the passage of time:		
For periods after December 31	<u>4,578,657</u>	<u>4,229,988</u>
Held as endowment in perpetuity:		
Donor restricted endowment	6,395,649	7,595,649
Split interest agreement - perpetual trust	<u>1,033,360</u>	<u>999,393</u>
	<u>7,429,009</u>	<u>8,595,042</u>
Total Net Assets with Donor Restrictions	<u>\$ 57,081,353</u>	<u>\$ 52,935,389</u>

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

	2024	2023
Program restrictions accomplished:		
Charity care	\$ 1,739,790	\$ 1,661,422
Research/case studies	85,802	60,897
Building improvements and equipment	353,197	6,431,403
Education and other	<u>1,006,491</u>	<u>30,927</u>
	3,185,280	8,184,649
Time restrictions expired	<u>70,802</u>	<u>95,951</u>
Total Restrictions Released	<u>\$ 3,256,082</u>	<u>\$ 8,280,600</u>

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**13. 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.

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. This lease was renewed in 2024 and expires in 2029. In 2024, AMC entered into a noncancelable operating lease for additional space in the same building. The lease commenced in 2024 and expires in 2028.

AMC leases space at 2 Sutton Place North under a noncancelable operating lease agreement. The lease commenced in 2024 and expires in 2034.

Effective August 2023, AMC entered into a finance lease agreement for an MRI machine for a term of 5 years terminating on July 2028, with an option to purchase asset at the end of the term.

AMC amortizes the right-of-use assets over the life of the lease agreements. Right-of-use assets consist of the following at December 31:

	2024	2023
Right of use assets - operating leases	\$ 3,956,125	\$ 843,645
Less: accumulated amortization	(1,014,133)	(561,259)
	\$ 2,941,992	\$ 282,386
	2024	2023
Right of use asset - finance lease	\$ 1,677,661	\$ 1,677,661
Less: accumulated amortization	(475,337)	(139,805)
	\$ 1,202,324	\$ 1,537,856
Weighted average remaining lease term (years)		
Operating leases	6.86	1.10
Finance lease	3.58	4.58
Weighted average discount rate		
Operating leases	3.94%	1.04%
Finance lease	2.54%	2.54%

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**13. Commitments (continued)**

Future minimum lease payments are as follows:

	<u>Operating Leases</u>	<u>Finance Lease</u>
2025	\$ 567,718	\$ 356,888
2026	626,394	356,888
2027	640,254	356,888
2028	379,853	208,185
2029	254,014	-
Thereafter	<u>1,036,577</u>	<u>-</u>
Total undiscounted operating lease payments	3,504,810	1,278,849
Less: imputed interest	<u>(445,296)</u>	<u>(55,120)</u>
Present value of operating lease liabilities	<u>\$ 3,059,514</u>	<u>\$ 1,223,729</u>

Components of lease cost are as follows for years ended December 31:

	<u>2024</u>	<u>2023</u>
Finance amortization cost	\$ 335,532	\$ 139,805
Finance interest cost	34,776	16,884
Operating lease cost	<u>538,747</u>	<u>286,650</u>
	<u>\$ 909,055</u>	<u>\$ 443,339</u>

\* \* \* \* \*