The Animal Medical Center

Financial Statements

December 31, 2022

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Trustees
The Animal Medical Center

Opinion

We have audited the accompanying financial statements of The Animal Medical Center, which comprise the statement of financial position as of December 31, 2022, 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, 2022, 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.

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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, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

April 18, 2023

The Animal Medical Center

Statement of Financial Position
December 31, 2022
(with comparative amounts at December 31, 2021)

	2022	2021
ASSETS		
Cash	$ 4,120,519	$ 5,664,107
Accounts receivable, net	1,304,762	1,251,784
Contributions and pledges receivable, net	16,405,323	9,402,423
Prepaid expenses and other assets	1,424,590	1,327,170
Investments	69,489,935	91,417,833
Split-interest agreements - charitable remainder trusts	1,908,054	2,230,379
Right of use assets - operating leases, net	564,456	-
Property and equipment, net	97,407,689	56,882,349
Split-interest agreements - perpetual trusts	931,780	1,177,303
Restricted investments	7,595,649	7,595,649
	$ 201,152,757	$ 176,948,997
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 11,682,758	$ 9,357,419
Construction retainage payable	3,318,426	519,210
Deferred revenue	96,933	96,933
Operating lease liabilities	571,298	-
Mortgage loan payable, net	8,924,216	9,160,721
Total Liabilities	24,593,631	19,134,283
Net Assets		
Without Donor Restrictions		
Operating	41,858,209	53,415,247
Investment in property and equipment	88,483,473	47,721,628
Total Net Assets Without Donor Restrictions	130,341,682	101,136,875
With donor restrictions	46,217,444	56,677,839
Total Net Assets	176,559,126	157,814,714
	$ 201,152,757	$ 176,948,997

See notes to financial statements

The Animal Medical Center

Statement of Activities
Year Ended December 31, 2022
(with summarized totals for the year ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
OPERATING REVENUE AND SUPPORT				
Professional services revenue	$ 60,394,000	$ -	$ 60,394,000	$ 57,290,780
Restricted contributions	-	4,188,792	4,188,792	2,343,007
Investment return	-	(1,671,214)	(1,671,214)	1,462,177
Donated goods	94,404	-	94,404	134,170
Housing revenue	1,588,353	-	1,588,353	1,804,025
Other income	144,823	-	144,823	258,934
Net assets released from restrictions	38,033,254	(38,033,254)	-	-
Total Operating Revenue and Support	100,254,834	(35,515,676)	64,739,158	63,293,093
OPERATING EXPENSES				
Program Expenses				
Professional care, education and research	48,593,277	-	48,593,277	43,791,444
Housing expenses	1,738,226	-	1,738,226	1,697,534
Management and General				
General services	8,488,944	-	8,488,944	7,434,965
Fiscal services	3,795,905	-	3,795,905	3,834,333
Administrative services	3,085,824	-	3,085,824	2,604,904
Total Operating Expenses	65,702,176	-	65,702,176	59,363,180
Income (Loss) from Operations Before Depreciation and Amortization	34,552,658	(35,515,676)	(963,018)	3,929,913
Depreciation and amortization	3,240,396	-	3,240,396	3,000,417
Income (Loss) from Operations	31,312,262	(35,515,676)	(4,203,414)	929,496
NONOPERATING REVENUE AND EXPENSES				
Contributions and bequests	4,039,448	25,623,129	29,662,577	23,040,628
Changes in split-interest agreements	-	(567,848)	(567,848)	287,577
Special event revenue, net of costs with direct benefit to donors of $492,508 and $423,180	1,971,054	-	1,971,054	1,551,967
Investment return	(6,531,840)	-	(6,531,840)	4,671,107
Fundraising expenses	(1,586,117)	-	(1,586,117)	(1,451,750)
Change in Net Assets Before Other Changes	29,204,807	(10,460,395)	18,744,412	29,029,025
OTHER CHANGES				
Net periodic pension costs, except service cost	-	-	-	(234,000)
Forgiveness of Paycheck Protection Program loan	-	-	-	5,239,115
Pension settlement	-	-	-	854,276
Pension liability adjustment	-	-	-	32,233
Change in Net Assets	29,204,807	(10,460,395)	18,744,412	34,920,649
NET ASSETS				
Beginning of the year	101,136,875	56,677,839	157,814,714	122,894,065
End of the year	$ 130,341,682	$ 46,217,444	$176,559,126	$157,814,714

See notes to financial statements

The Animal Medical Center

Statement of Functional Expenses
Year Ended December 31, 2022
(with summarized totals for the year ended December 31, 2021)

	Professional Care, Education and Research	Housing Expenses	General Services	Fiscal Services	Administrative Services	Fundraising	2022 Total	2021 Total
Salaries and benefits	$ 35,892,093	$ 287,354	$ 5,521,173	$ 2,227,385	$ 2,391,423	$ 1,006,333	$ 47,325,761	$ 42,444,273
Purchased services	2,949,202	359,758	1,110,543	632,809	170,459	159,230	5,382,001	5,038,629
Supplies	6,086,629	17,795	155,348	52,070	18,797	2,374	6,333,013	6,296,102
Utilities	766,492	337,490	479,058	143,717	95,812	47,906	1,870,475	1,586,566
Repairs and maintenance	676,449	192,491	357,737	101,309	33,280	-	1,361,266	1,492,099
Operating leases	-	-	41,253	123,540	67,000	54,857	286,650	250,623
Cost of special events	-	-	-	-	-	492,508	492,508	423,180
Bank and credit card fees	1,437,175	-	-	-	-	35,769	1,472,944	1,343,587
Computers and printers	5,058	-	1,696	406,439	-	-	413,193	307,108
Interest	-	303,597	-	-	-	-	303,597	317,560
Real estate taxes	-	214,796	-	-	-	-	214,796	216,968
Other	780,179	24,945	822,136	108,636	309,053	274,078	2,319,027	1,515,845
Subtotal	48,593,277	1,738,226	8,488,944	3,795,905	3,085,824	2,073,055	67,775,231	61,232,540
Less: cost of special events	-	-	-	-	-	(492,508)	(492,508)	(423,180)
Total Expenses Before Depreciation and Amortization	48,593,277	1,738,226	8,488,944	3,795,905	3,085,824	1,580,547	67,282,723	60,809,360
Depreciation and amortization	1,094,295	663,891	1,315,251	152,227	14,732	5,570	3,245,966	3,005,987
Total Expenses	$ 49,687,572	$ 2,402,117	$ 9,804,195	$ 3,948,132	$ 3,100,556	$ 1,586,117	$ 70,528,689	$ 63,815,347

See notes to financial statements

The Animal Medical Center

Statement of Cash Flows
Year Ended December 31, 2022
(with comparative amounts for the year ended December 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 18,744,412	$ 34,920,649
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	3,245,966	3,005,987
Amortization of debt issuance costs	5,300	5,300
Net realized and unrealized loss (gain) on investments	8,852,440	(5,723,394)
Provision for uncollectible accounts	263,347	301,317
Changes in fair value of split-interest agreements	510,218	(347,542)
Pension settlement	-	(854,276)
Pension benefit liability adjustment	-	(32,233)
Change in present value discount of pledges receivable	475,664	(94,805)
Cash received for capital campaign	(20,092,669)	(17,555,452)
Forgiveness of Paycheck Protection Program loan	-	(5,239,115)
Amortization of right of use assets - operating leases	279,189	-
Changes in operating assets and liabilities		
Accounts receivable	(316,325)	(179,907)
Contributions and pledges receivable	(7,478,564)	3,853,802
Prepaid expenses and other assets	(97,420)	177,912
Prepaid pension plan cost	-	(1,866,642)
Accounts payable and accrued expenses	2,325,339	2,146,969
Operating lease liabilities	(272,347)	-
Deferred revenue	-	(158,526)
Net Cash from Operating Activities	6,444,550	12,360,044
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of investments	135,221,376	112,872,779
Purchase of investments	(122,145,918)	(126,931,351)
Acquisition of property and equipment	(43,771,306)	(17,042,998)
Construction retainage payable	2,799,216	519,210
Redemptions of split-interest agreements	57,630	59,964
Net Cash from Investing Activities	(27,839,002)	(30,522,396)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long term debt	(241,805)	(233,859)
Payments on capital lease obligation	-	(24,750)
Cash restricted for capital campaign	20,092,669	17,555,452
Net Cash from Financing Activities	19,850,864	17,296,843
Change in Cash	(1,543,588)	(865,509)
CASH		
Beginning of year	5,664,107	6,529,616
End of year	$ 4,120,519	$ 5,664,107
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 303,597	$ 312,260

See notes to financial statements

1. Organization and Tax Status

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Policies

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

AMC adopted the requirements of the new standard effective January 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. AMC adopted the following practical expedients and elected the following accounting policies related to this standard: Carry forward of historical lease classifications and accounting treatment.

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

Adoption of New Accounting Policies (continued)

Leases (Topic 842) (continued)

Accordingly, AMC will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred. Adoption of this standard resulted in the recognition of an initial operating lease right-of-use assets and corresponding lease liability of $843,645 on the statement of financial position as of January 1, 2022. The standard did not materially impact operating results or liquidity.

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

Effective January 1, 2022, AMC adopted Accounting Standard Update 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This guidance provides new presentation and disclosure requirements concerning contributed nonfinancial assets and contributed services.

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, 2022 and 2021.

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.

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, 2022 and 2021, amortization expense related to the debt issuance costs was $5,300.

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, 2022 and 2021.

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 statement 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.

Operating 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 lease cost is recognized on a straight-line basis over the lease term within occupancy expense in the accompanying statements 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.

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

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.

Operating Measure

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

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

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

Professional Services Revenue

Professional services revenue is recorded at established rates when veterinary services are performed. As a matter of policy, AMC provides charity care to animals of certain clients. Since payment for charity care is not sought, charity care is not reported as revenue. There were no professional services liabilities at December 31, 2022, 2021, and 2020. Professional services receivables included in accounts receivable are as follows at December 31:

	2022	2021	2020
Professional services receivables	$ 1,304,762	$ 1,251,784	$ 1,373,194

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 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.

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 2022 and 2021, AMC received contributions of pet food valued at $94,404 and $134,170, and used $91,598 and $120,388 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.

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

Research

Research activities are expensed as incurred. Research costs charged to operations totaled $263,185 and $257,319 in 2022 and 2021.

2021 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, 2021 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 2019.

Reclassifications

Certain 2021 amounts have been reclassified to conform to the 2022 financial statement presentation. The reclassifications had no effect on 2021 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 18, 2023.

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, 2022 and 2021, approximately \$3,871,000 and \$5,414,000 of cash was maintained with an institution in excess of 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 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, 2022 with payments to be received after December 31, 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:

	2022	2021
Due within:		
Up to one year	$ 8,246,355	$ 7,481,837
One to five years	9,793,822	3,079,776
	18,040,177	10,561,613
Discount to present value	(634,847)	(159,183)
Allowance for doubtful accounts	(1,000,007)	(1,000,007)
Contributions and pledges receivable, net	$ 16,405,323	$ 9,402,423

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, 2022, the conditions of the first two installments were met. During 2022, AMC received the second installment of approximately \$8,300,000 and during 2021, AMC received the first installment of approximately \$8,400,000, which were recognized as revenue in the 2022 and 2021 statements of activities.

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:

	2022			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	$ 33,213,570	$ -	$ -	$ 33,213,570
Mutual funds	28,958,025	-	-	28,958,025
Fixed income funds	-	13,445,585	-	13,445,585
Subtotal	$ 62,171,595	$ 13,445,585	$ -	75,617,180
Alternative investments (1)				1,468,404
Total Investments at Fair Value				$ 77,085,584
Split-interest agreements	$ -	$ -	$ 2,839,834	$ 2,839,834

	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	-	35,395,354	-	35,395,354
Subtotal	$ 61,855,543	$ 35,395,354	$ -	97,250,897
Alternative investments (1)				1,762,585
Total Investments at Fair Value				$ 99,013,482
Split-interest agreements	$ -	$ -	$ 3,407,682	$ 3,407,682

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

During 2022 and 2021, there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

6. Fair Value Measurements *(continued)*

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

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund (see "a" below)	$ 1,468,404	$ 257,170	**	**

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund (see "a" below)	$ 1,762,313	$ 319,925	**	**
Hedge fund (see "b" below)	272	-	**	**
Total	$ 1,762,585	$ 319,925		

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.

b. This category includes the proceeds of hedge fund liquidations which currently are in holdback status pending each fund's final year end accounting. All amounts were redeemed during 2022.

** The investments measured at NAV at December 31, 2022 and 2021 were subject to lock-up or other liquidity restrictions.

6. Fair Value Measurements *(continued)*

The following is a reconciliation of the beginning and ending balances for Level 3 assets during 2022 and 2021:

	Balance, January 1, 2022	Purchases/ Additions	Change in Fair Value	Redemptions	Balance, December 31, 2022
Split-interest agreements	$ 3,407,682	$ -	$ (510,218)	$ (57,630)	$ 2,839,834

	Balance, January 1, 2021	Purchases/ Additions	Change in Fair Value	Redemptions	Balance, December 31, 2021
Split-interest agreements	$ 3,120,104	$ -	$ 347,542	$ (59,964)	$ 3,407,682

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.

8. Property and Equipment

Property and equipment consists of the following at December 31:

	2022	2021
Land	$ 1,676,075	$ 1,676,075
Buildings and building improvements	64,351,810	64,353,835
Furniture and equipment	15,943,012	14,255,624
Computer hardware and software	4,307,884	4,280,476
Leasehold improvements	171,875	171,875
	86,450,656	84,737,885
Accumulated depreciation	(53,798,295)	(50,586,704)
Amortization of leasehold improvements	(97,396)	(63,021)
	32,554,965	34,088,160
Capital projects in process	64,852,724	22,794,189
	$ 97,407,689	$ 56,882,349

Depreciation and amortization expense was $3,245,966 and $3,005,987 for 2022 and 2021, including $24,749 of depreciation on equipment under capital leases in 2021.

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 in 2024. In connection with this, AMC is committed to various construction contracts totaling $102,231,624. As of December 31, 2022, AMC has incurred $63,746,682 of professional development and construction costs related to the capital campaign, which have been recorded as capital projects in progress.

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:

	2022	2021
Financial assets at year end:		
Cash	$ 4,120,519	$ 5,664,107
Accounts receivable, net	1,304,762	1,251,784
Contributions and pledges receivable, net	16,405,323	9,402,423
Investments	69,489,935	91,417,833
Total Financial Assets	91,320,539	107,736,147
Less amounts unavailable for general expenditure:		
Contributions and pledges receivable with donor restricted purposes	15,442,173	8,195,131
Donor restricted amounts held in cash and investments	20,292,412	37,209,709
Non-liquid investments	1,468,404	1,762,585
	37,202,989	47,167,425
Financial Assets at Year End Available to Meet Cash Needs for General Expenditures Within One Year	$ 54,117,550	$ 60,568,722

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:

2023	$ 250,020
2024	257,702
2025	267,271
2026	8,167,553
Total	$ 8,942,546

Interest expense on the mortgage amounted to $303,597 and $316,842 for the years ended December 31, 2022 and 2021.

10. 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:

	2022	2021
Mortgage loan payable	$ 8,942,546	$ 9,184,351
Less unamortized debt issuance costs	(18,330)	(23,630)
Mortgage Loan Payable, net	$ 8,924,216	$ 9,160,721

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.

11. Pension Plans *(continued)*

Defined Benefit Plan (continued)

The following table provides information about the Plan as of and for the year ended December 31, 2021:

Employer contributions	$ 2,150,642
Net periodic benefit cost recognized in the statement of activities	284,000
Amortization of amounts previously not recognized as a component of net periodic benefit cost	(149,000)
Benefits paid during the year	55,922

The following table reflects components of the net periodic pension cost recognized in the statement of activities for the year ended December 31, 2021:

Service cost	$ 50,000
Interest cost	244,000
Acrual return on plan assets	(205,000)
Amortization of prior service cost	149,000
Recognized net loss	46,000
Net Periodic Pension Cost	$ 284,000

There were no amounts recognized as other changes in net assets without donor restrictions arising from the Plan that have not yet been recognized in net periodic pension cost at December 31, 2021.

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.

11. Pension Plans *(continued)*

Defined Benefit Plan (continued)

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 fair value of AMC's pension plan assets was $0 at December 31, 2021.

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, 2022 and 2021, AMC recognized an expense of $226,651 and $206,418 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.

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.

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 considers the long-term expected return on the endowment balance, with the objective of maintaining its purchasing power over time.

13. Endowment Fund (*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:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose Restricted	Endowment Funds	Total
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	(438,414)	-	-	(438,414)
Balance, December 31, 2021	-	1,907,211	7,595,649	9,502,860
Investment income	-	66,370	-	66,370
Capital (depreciation)	-	(1,378,003)	-	(1,378,003)
Appropriations for operations	475,143	(475,143)	-	-
Expenditures for operations	(475,143)	-	-	(475,143)
Balance, December 31, 2022	$ -	$ 120,435	$7,595,649	$ 7,716,084

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, 2022 and 2021.

14. Net Assets with Donor Restrictions

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

	2022	2021
Subject to expenditure for a specified purpose:		
Charity care	$ 1,078,729	$ 1,169,617
Research/case studies	4,778,786	1,845,812
Building improvements and equipment	26,681,261	36,712,733
Education and other	1,202,821	1,383,361
Unappropriated endowment earnings	120,435	1,907,211
	33,862,032	43,018,734
Subject to the passage of time:		
For periods after December 31	3,827,983	4,886,153
Held as endowment in perpetuity:		
Donor restricted endowment	7,595,649	7,595,649
Split interest agreement - perpetual trust	931,780	1,177,303
	8,527,429	8,772,952
Total Net Assets with Donor Restrictions	$ 46,217,444	$ 56,677,839

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

	2022	2021
Program restrictions accomplished:		
Charity care	$ 1,199,717	$ 1,218,933
Research/case studies	74,502	130,377
Building improvements and equipment	35,650,339	15,374,235
Education and other	728,167	563,751
	37,652,725	17,287,296
Time restrictions expired	380,529	548,798
Total Restrictions Released	$ 38,033,254	$ 17,836,094

15. Commitments

AMC leases space at 504 East 63rd Street under a noncancelable operating lease agreement. The lease commenced in 2020 and expires in 2025. In addition, AMC leases space at 425 East 61st Street under a noncancelable operating lease agreement. The lease commenced in 2021 and expires in 2024.

AMC amortizes the operating lease right-of-use assets over the life of the lease agreements. Right-of-use assets consist of the following at December 31, 2022:

Right of use assets - operating leases	$ 843,645
Less: accumulated depreciation	(279,189)
	$ 564,456

Future minimum lease payments are as follows:

2023	$ 285,965
2024	253,450
2025	37,772
Total undiscounted operating lease payments	577,187
Less: imputed interest	(5,889)
Present value of operating lease liabilities	$ 571,298

Operating lease expense totaled $286,650 and $250,623 for the years ended December 31, 2022 and 2021.

The weighted-average discount rate used for operating leases is 1.04%. The weighted-average remaining lease term for operating leases is 2.04 years.

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