



Memorandum

Date: June 24, 2022
To: House of Delegates
From: Dr. Arnold L. Goldman, Treasurer
Cc:
Re: AVMA's Audited Financial Statements

Recent changes in the way the AVMA family of organizations (AVMA, AVMF, Trusts, etc.) will report its financial statements will require a new format for reporting of those statements to you. Below is an explanation of what to expect.

Attached you'll find the Audit Communication Letter (ACL) from Legacy Professionals, the AVMA's auditing consultant, for the year ended December 31, 2021. This document details the auditors' responsibility of ensuring our internally developed financial statement schedules are presented fairly and in accordance with accounting principles generally accepted in the United States of America. Moving forward, the AVMA will have to consolidate financial statements with the AVMF, the Trusts, and other related organizations in our "family", to ensure we adhere to generally accepted accounting principles and auditing standards set forth by the Auditing Standards Board of the American Institute of Certified Public Accountants. The AVMA's Audit Committee and Board of Directors have already reviewed AVMA's financial statements with the auditors, who informed us they have no concerns or adverse findings.

Beginning on page 5 of the attachment, you'll find AVMA's Statement of Financial Position and a Statement of Activities for the years ended December 31, 2021, and December 31, 2020. That information is limited to AVMA only, which was extracted from the consolidated financial statements as explained above. AVMA's financial information is confidential and I ask that you treat it as such. As always, our intent is to provide the House of Delegates with current and accurate AVMA financial information in a transparent manner, and we hope that you find these reports useful. Thank you.

To the Audit Committee of
American Veterinary Medical Association

We have audited the consolidated financial statements of American Veterinary Medical Association and its affiliate (collectively, the Organizations) as of and for the year ended December 31, 2021, and have issued our report. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement. An audit of consolidated financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Organizations solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Our responsibility for the supplementary information accompanying the consolidated financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the consolidated financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing previously communicated to you in our engagement letter and in any meetings concerning planning matters.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

As communicated in our engagement letter, our performance of nonattest services does not include assuming management responsibilities or making management decisions. In relation to such nonattest services, you have agreed to assume all management responsibilities for the nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them. However, the performance of nonattest services creates the potential for circumstances that may impair independence (“threats”). We have identified and evaluated the self-review and management participation threats created by our performance of nonattest services. In order to reduce such threats to an acceptable level, we have taken certain measures or actions (“safeguards”), including the following:

- Policies and procedures that are designed to implement and monitor engagement quality control;
- The involvement of another professional accountant who (a) reviews the work that is done for a client or (b) otherwise advises the engagement team. This individual is someone from within the firm who is not otherwise associated with the engagement; and
- Policies and procedures that are designed to ensure that members of the engagement team do not make or assume responsibility for management decisions for the client.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. A summary of the significant accounting policies used by the Organizations is included in Note 2 to the consolidated financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Audit Findings (continued)

Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive estimate affecting the consolidated financial statements was management's estimate of the functional allocation of expenses. Management calculated the allocation of functional expenses based on costs associated with the programs and supporting services benefited and the level of staff effort furnished on the various programs and supporting services. We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the consolidated financial statements taken as a whole.

Financial Statement Disclosures

The disclosures in the consolidated financial statements are neutral, consistent, and clear. There are no financial statement disclosures that are particularly sensitive because of their significance to financial statement users.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were noted during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organizations’ consolidated financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organizations’ auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matter

With respect to the supplementary information accompanying the consolidated financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the consolidated financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This information is intended solely for the information and use of the Board of Directors, Audit Committee, and management of the Organizations and is not intended to be and should not be used by anyone other than these specified parties.

American Veterinary Medical Association

Statement of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 29,541,937	\$ 18,895,729
Accounts receivable	1,043,109	975,882
Accrued interest receivable	21,746	45,688
Other receivables	43,047	37,856
Prepaid expenses	1,351,083	864,880
Total	<u>32,000,922</u>	<u>20,820,035</u>
Investments	<u>55,323,925</u>	<u>53,803,251</u>
Property and equipment		
Property and equipment	22,301,512	22,238,595
Less accumulated depreciation and amortization	<u>(15,489,858)</u>	<u>(14,700,104)</u>
Net property and equipment	<u>6,811,654</u>	<u>7,538,491</u>
Total assets	<u>\$ 94,136,501</u>	<u>\$ 82,161,777</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 928,075	\$ 707,697
Accrued payroll and related taxes	450,127	336,400
Accrued retirement plan expenses	1,213,295	1,241,397
Accrued real estate and UBIT taxes	544,337	362,350
Clinical proficiency exam payments	1,069,050	918,270
Due to other related organizations	29,977	15,001
Deferred income	23,953,017	22,851,885
Deferred compensation plan	1,949,908	2,208,767
Accrued paid time off	3,163,655	3,164,642
Tenant deposits	23,574	22,430
Total liabilities	<u>33,325,015</u>	<u>31,828,839</u>
Net assets	<u>60,811,486</u>	<u>50,332,938</u>
Total liabilities and net assets	<u>\$ 94,136,501</u>	<u>\$ 82,161,777</u>

American Veterinary Medical Association

Statement of Activities

Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Dues	\$ 28,763,328	\$ 28,302,636
Donations	500,000	-
In-kind donations	-	-
Convention	1,367,995	1,304,416
Advertising	912,208	633,333
Career Center	8,331,885	5,626,617
Subscriptions	419,965	443,901
Accreditation and related fees	904,204	772,511
Rental income	261,385	273,389
Non-convention sponsorships	901,000	691,000
Quality Assurance Program	429,730	297,506
Royalties	447,956	410,755
Manuscript processing fees	165,378	130,952
Printed materials	39,078	40,161
ECFVG Program	346,256	264,964
Mailing lists and labels	107,575	41,545
Event registration revenue	160,250	197,125
Other income	265,301	209,451
Total revenue	<u>44,323,494</u>	<u>39,640,262</u>
Expenses		
Program services:		
Drive lifelong membership	2,953,970	2,679,185
Lifelong learning	11,157,279	11,515,099
Advocacy	2,699,758	2,791,689
Policy	2,944,640	2,677,190
Disaster relief	8,410	67,109
Education	67,396	75,130
Animal welfare	57,153	55,350
Research	15,952	12,734
Management and general	18,704,968	16,302,868
Fundraising	88,655	89,283
Membership Development	2,047,408	2,040,907
Total expenses	<u>40,745,589</u>	<u>38,306,544</u>
Change in net assets before net investment return	3,577,905	1,333,718
Net investment return	<u>6,900,643</u>	<u>3,320,968</u>
Change in net assets	10,478,548	4,654,686
Net assets		
Beginning of year	<u>50,332,938</u>	<u>45,678,252</u>
End of year	<u>\$ 60,811,486</u>	<u>\$ 50,332,938</u>