



The American Anti-Vivisection Society

Financial Statements
and Supplementary Information

December 31, 2018 and 2017

The American Anti-Vivisection Society

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Independent Auditors' Report

To the Board of Managers of
The American Anti-Vivisection Society

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The American Anti-Vivisection Society (a non-profit organization) and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The American Anti-Vivisection Society and subsidiary as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedules I through VIII presented on Pages 22 - 31 are presented for purposes of additional analysis of the consolidated financial statements, rather than to present financial position, changes in net assets and cash flows of the individual entities and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Philadelphia, Pennsylvania
April 4, 2019

The American Anti-Vivisection Society

Consolidated Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Cash and cash equivalents	\$ 2,973,996	\$ 2,644,745
Prepaid expenses	43,778	35,042
Receivables from estates and trusts	226,399	474,335
Inventory	5,880	5,880
Furniture and equipment, net of accumulated depreciation of \$530,515 and \$531,156	5,386	6,959
Long-term investments at fair value	29,882,685	32,278,426
Beneficial interests in perpetual trusts	1,440,627	1,629,120
	<u>34,578,751</u>	<u>37,074,507</u>
Total assets	<u>\$ 34,578,751</u>	<u>\$ 37,074,507</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 17,815	\$ 13,333
Accrued compensation and related items	40,952	42,735
Deferred dues revenue	128,300	137,387
Grants payable	1,015,241	1,189,063
Other	94,989	102,100
	<u>1,297,297</u>	<u>1,484,618</u>
Total liabilities	<u>1,297,297</u>	<u>1,484,618</u>
Net Assets		
Without donor restrictions	30,777,394	32,882,042
With donor restriction	2,504,060	2,707,847
	<u>33,281,454</u>	<u>35,589,889</u>
Total net assets	<u>33,281,454</u>	<u>35,589,889</u>
Total liabilities and net assets	<u>\$ 34,578,751</u>	<u>\$ 37,074,507</u>

See notes to consolidated financial statements

The American Anti-Vivisection Society

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net Assets Without Donor Restrictions		
Revenue, (Losses) Gains and Other Support		
Bequests	\$ 386,426	\$ 887,754
Investment income from long-term investments, net of investment expenses of \$260,624 and \$244,956	307,236	212,630
Investment income from perpetual trusts	68,099	54,580
Dues	215,304	218,081
Contributions	447,716	482,864
Realized gains on long-term investments, net	1,491,198	915,116
Unrealized (losses) gains on long-term investments, net	(2,980,705)	2,601,840
Other income	122,522	95,758
	<u>57,796</u>	<u>5,468,623</u>
Net assets released from restrictions	<u>57,080</u>	<u>38,137</u>
Total revenue, gains and other support	<u>114,876</u>	<u>5,506,760</u>
Expenses		
Program services:		
Campaigns and outreach	1,068,025	1,256,570
Animalearn	196,270	196,512
Alternatives research	425,459	393,043
	<u>1,689,754</u>	<u>1,846,125</u>
Supporting services:		
General and administrative	277,386	249,685
Fundraising	252,384	234,628
	<u>529,770</u>	<u>484,313</u>
Total expenses	<u>2,219,524</u>	<u>2,330,438</u>
(Decrease) increase in net assets without donor restriction	<u>(2,104,648)</u>	<u>3,176,322</u>
Net Assets With Donor Restrictions		
Investment income from long-term investments	9,300	9,829
Investment income from perpetual trusts	14,925	12,900
Contributions	41,500	40,000
Realized gains on long-term investments, net	14,243	35,834
Unrealized losses on long-term investments, net	(38,182)	(4,167)
Unrealized (losses) gains on beneficial interests in perpetual trusts	(188,493)	118,752
Net assets released from restrictions	<u>(57,080)</u>	<u>(38,137)</u>
(Decrease) increase in net assets with donor restrictions	<u>(203,787)</u>	<u>175,011</u>
Change in net assets	<u>(2,308,435)</u>	<u>3,351,333</u>
Net Assets, Beginning	<u>35,589,889</u>	<u>32,238,556</u>
Net Assets, Ending	<u>\$ 33,281,454</u>	<u>\$ 35,589,889</u>

See notes to consolidated financial statements

The American Anti-Vivisection Society

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 478,229	\$ -	\$ -	\$ 478,229
Contribution to Ryerss	22,758	-	-	22,758
Salaries	455,378	96,831	33,965	586,174
Employee benefits	103,326	22,465	7,521	133,312
Payroll taxes	37,333	7,890	2,887	48,110
Professional fees	51,407	113,410	155	164,972
Membership development	-	-	142,156	142,156
Office supplies	9,839	-	-	9,839
Telecommunications	22,233	484	461	23,178
Occupancy	119,021	13,172	6,129	138,322
Equipment rental and maintenance	33,480	5,653	14,437	53,570
Printing, publications and postage	138,350	161	43,970	182,481
Design	3,618	-	-	3,618
Travel	30,069	-	-	30,069
Conferences, conventions and meetings	34,051	18	-	34,069
Office expense and miscellaneous	3,862	4,254	-	8,116
Insurance	9,924	723	153	10,800
Advertising	31,104	-	550	31,654
Research and information services	12,540	12,325	-	24,865
Consultant fees	72,037	-	-	72,037
Public relations	14,750	-	-	14,750
Depreciation	5,358	-	-	5,358
Educational material	1,087	-	-	1,087
	<u>\$ 1,689,754</u>	<u>\$ 277,386</u>	<u>\$ 252,384</u>	<u>\$ 2,219,524</u>

See notes to consolidated financial statements

The American Anti-Vivisection Society

Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 586,046	\$ -	\$ -	\$ 586,046
Contribution to Ryerss	31,613	-	-	31,613
Salaries	448,227	95,711	33,443	577,381
Employee benefits	97,106	21,236	7,130	125,472
Payroll taxes	37,164	7,853	2,874	47,891
Professional fees	54,621	107,100	-	161,721
Membership development	-	-	134,168	134,168
Office supplies	14,675	-	-	14,675
Telecommunications	18,021	499	358	18,878
Occupancy	105,583	11,896	5,371	122,850
Equipment rental and maintenance	35,125	-	9,799	44,924
Printing, publications and postage	184,664	668	36,592	221,924
Design	3,334	-	90	3,424
Travel	32,911	-	-	32,911
Conferences, conventions and meetings	29,052	-	89	29,141
Office expense and miscellaneous	3,354	4,060	-	7,414
Insurance	9,568	662	139	10,369
Advertising	26,442	-	4,575	31,017
Research and information services	18,726	-	-	18,726
Consultant fees	77,190	-	-	77,190
Public relations	19,855	-	-	19,855
Depreciation	12,642	-	-	12,642
Educational material	206	-	-	206
	<u>\$ 1,846,125</u>	<u>\$ 249,685</u>	<u>\$ 234,628</u>	<u>\$ 2,330,438</u>

See notes to consolidated financial statements

The American Anti-Vivisection Society

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (2,308,435)	\$ 3,351,333
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	5,358	12,642
Realized gains on long-term investments, net	(1,505,441)	(950,950)
Unrealized losses (gains) on long-term investments, net	3,018,887	(2,597,673)
Unrealized losses (gains) on beneficial interests in perpetual trusts	188,493	(118,752)
(Increase) decrease in assets:		
Prepaid expenses	(8,736)	913
Receivables from estates and trusts	247,936	(307,953)
Inventory	-	5,304
Increase (decrease) in liabilities:		
Accounts payable	4,482	(25,436)
Accrued compensation and related items	(1,783)	(1,189)
Deferred dues revenue	(9,087)	1,747
Grants payable	(173,822)	(13,985)
Other	(7,111)	(2,049)
Net cash used in operating activities	<u>(549,259)</u>	<u>(646,048)</u>
Cash Flows from Investing Activities		
Purchases of furniture and equipment	(3,785)	(3,021)
Purchases of long-term investments	(6,360,949)	(20,262,596)
Proceeds from sales and maturities of long-term investments	<u>7,243,244</u>	<u>20,430,693</u>
Net cash provided by investing activities	<u>878,510</u>	<u>165,076</u>
Net increase (decrease) in cash and cash equivalents	329,251	(480,972)
Cash and Cash Equivalents, Beginning	<u>2,644,745</u>	<u>3,125,717</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,973,996</u>	<u>\$ 2,644,745</u>

See notes to consolidated financial statements

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1. Nature of Organization

The American Anti-Vivisection Society ("Society") is a nonprofit organization incorporated under the laws of the Commonwealth of Pennsylvania formed for charitable and educational purposes and for the prevention of cruelty to animals, particularly to educate the general public about vivisection, alternatives to vivisection, and with the goal of abolishing vivisection.

Alternatives Research and Development Foundation ("Foundation") is a nonprofit organization incorporated under the laws of the Commonwealth of Pennsylvania. The purpose of the Foundation is to support the development and utilization of alternatives to the use of animals in biomedical research, testing and education, through provision of research grants and awards and expert information to scientists, media, government agencies, and advocacy groups.

Substantially all of the Organizations' activities are conducted within the United States, although the Organizations occasionally may provide grants or other financial support to foreign persons or organizations. A majority of the Society's membership resides in the United States. The Organizations' administrative offices are located in Jenkintown, Pennsylvania.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying financial statements reflect the consolidation of the individual financial statements of The American Anti-Vivisection Society and Alternatives Research and Development Foundation (collectively referred to as "Organizations"). The individual entities have the same board of directors (managers) and share facilities and equipment. The Society has legal control over the Foundation. Inter-organization transactions and balances have been eliminated in consolidation.

Basis of Presentation

The Organizations' financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Organizations report total assets, liabilities and net assets in a statement of financial position; reports the change in net assets in a statement of activities and changes in net assets; and reports the sources and uses of cash and cash equivalents in a statement of cash flows.

Net assets and revenues, gains, expenses and losses are classified as without donor restrictions or with donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor, grantor, or other outside party restrictions. The Board of Managers may designate, from net assets without restrictions, net assets for specific use in a future period. The Board of Managers has designated \$29,882,685 and \$32,278,426 as of December 31, 2018 and 2017, respectively for its quasi-endowment.

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Net Assets With Donor Restrictions

Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires net assets with donor restriction are reclassified to net assets without donor restrictions, and are reported in the statement of activities and changes in net assets as net assets released from restriction.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

A significant portion of each Organization's functions are conducted by unpaid volunteer officers and members. The value of this contributed time is not reflected in the accompanying consolidated financial statements because it does not meet the criteria necessary for recognition.

Receivables from Estates and Trusts

Receivables from estates and trusts are recorded in the year the Organizations' are notified the associated will is valid and has been admitted to probate, and an estimated value is provided by an executor.

Inventory

Inventory consists of supplies, educational materials, books and clothing and is stated at estimated fair value or average cost, whichever is lower.

Furniture and Equipment

Furniture and equipment are stated at cost. All purchases of furniture and equipment in excess of \$1,000 are capitalized. Depreciation is recognized using the straight-line method over the estimated useful lives of three to seven years.

Revenue Recognition

Contributions, bequests, and beneficial interests in perpetual trusts are recorded at their estimated fair values when either Organization has received notification of a promise to give. Dues are recognized as revenue over the applicable term of the membership. Life memberships are recorded as revenue when received.

Investments

Long-term investments consist of marketable securities, and are recorded at estimated fair value as determined by quoted market values. Investment gains and losses are included in the change in net assets in the accompanying statement of activities and changes in net assets.

The assets of perpetual and other charitable trusts consist principally of marketable securities. The Organizations' beneficial interests in these various trusts are recorded at estimated fair values.

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Cash Equivalents

Cash equivalents include highly liquid investments with an original maturity of 90 days or less. The fair value of cash equivalents approximates cost.

Income Taxes

The Society and the Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organizations do not have net unrelated business income subject to tax. In addition, each Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Management believes that it has appropriate support for any tax positions taken, and as such, the Organizations do not have any uncertain tax positions that are material to the consolidated financial statements.

Each Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2018, 2017 and 2016 is subject to examination by the Internal Revenue Service, generally for three years after the date the return was filed.

Grants Payable

Grants payable represent grants awarded to other organizations. Grants payable over multiple years are discounted at prevailing interest rates. Grants involving estimates of expenses reimbursable over multiple years include an annual inflation rate based upon current market conditions. Unexpended balances of grants awarded to other organizations are required to be returned. Refunds to the Society and the Foundation are recorded when the amount of refund due becomes known, normally when a final accounting by the grantee is submitted.

Risks and Uncertainties

The Organizations' future results of operations involve a number of risks and uncertainties. Factors that could affect the Organizations' future operating results and cause actual results to vary materially from expectations include, but are not limited to, dependence on key personnel, general economic conditions, reliance on public support and the performance of its long-term investments.

Concentrations of Credit Risk

The Organizations' principal financial instruments subject to credit risk are its cash, cash equivalents, investments and receivables. Fixed income securities are also exposed to interest rate risk. Receivables result primarily from unconditional promises to give, including bequests and other contributions.

New Accounting Standards

In 2018, the Organizations adopted the Financial Accounting Standard Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organizations have adjusted the presentation of these consolidated financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented. These disclosures have been presented for 2018 only, as allowed by ASU No. 2016-14.

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

The new standard changes the following aspects of the consolidated financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called Net Assets with Donor Restrictions;
- The consolidated financial statements include a disclosure about liquidity and availability of resources, Note 6.
- The statement of functional expenses include expenses reported both by nature and function and is now presented as a separate statement.

Recently Issued Accounting Standards not yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This new accounting guidance was issued that outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU No. 2014-09 is effective for fiscal years beginning after December 15, 2017. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2018. Early application is permitted for all entities for fiscal years beginning after December 15, 2016. The Organizations are assessing the impact this new standard will have on its consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. For public business entities, including not-for-profit organizations that have issued, or are a conduit bond obligor for, securities that are traded, listed or quoted on an exchange or an over-the-counter market, ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2019. Early application is permitted for all entities. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Organizations are assessing the impact this standard will have on their consolidated financial statements.

Reclassification

Certain reclassifications have been made to the 2017 consolidated financial statement presentation to correspond to the current year's format.

Subsequent Events

Management has evaluated subsequent events through April 4, 2019, which is the date the consolidated financial statements were available to be issued.

3. Receivables from Estates and Trusts

The Organizations are the beneficiaries of numerous estates and testamentary trusts. In general, the Organizations' policy is to record the receivable from an estate or trust in the year the Organizations are notified and associated will is valid and has been admitted to probate and an estimated value is provided by an executor. The Society has been notified of an estate in which the Society is a beneficiary however has not received a current valuation and a projected value by the Trustee. As such, a reasonable estimate cannot be made at this time and therefore not yet been recorded in the consolidated financial statements.

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

4. Fair Value of Financial Instruments

The Organizations use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in some instances, there are no quoted market prices for certain financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments.

Fair value accounting guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within range that is most representative of fair value under current market conditions.

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not active, quoted prices for similar securities, or observable inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

A financial asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following valuation techniques were used to measure fair value of financial instruments:

Marketable equity securities - The fair value of marketable equity securities is generally based on quoted market prices for the identical security.

Marketable debt securities - The fair value for marketable bonds, debentures and other debt securities is generally based on quoted market prices for the identical security; however quoted market prices may vary for a variety of reasons including the number of market makers and the volume of identical securities traded on the date of valuation. If an identical security is not traded on the valuation date, estimated fair value may be determined by using other significant observable inputs, such as quoted prices for similar securities.

Mutual funds - The fair value of open ended mutual funds is based on net asset value which is generally determined by the quoted market values of the underlying marketable securities owned.

Beneficial interests in perpetual trusts - The fair value of the beneficial interests in perpetual trusts is based on the estimated present value of future cash inflows and the Organizations' percentage interest in the trust assets. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value of measurement.

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the hierarchy used at December 31, 2018 are as follows:

Description	2018			
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 2,397,171	\$ 2,397,171	\$ -	\$ -
U.S. equities	17,115,686	17,115,686	-	-
International equities	1,321,651	1,321,651	-	-
Mutual funds, equity	715,565	715,565	-	-
Mutual funds, fixed income	276,083	276,083	-	-
U.S. corporate debentures	5,970,502	-	5,970,502	-
U.S. Treasury securities and bonds of government sponsored enterprises	2,079,299	-	2,079,299	-
Other	6,728	6,728	-	-
Total investments	29,882,685	21,832,884	8,049,801	-
Beneficial interests in perpetual trusts	1,440,627	-	-	1,440,627
Total	<u>\$ 31,323,312</u>	<u>\$ 21,832,884</u>	<u>\$ 8,049,801</u>	<u>\$ 1,440,627</u>

For assets falling within Level 3 of the fair value hierarchy, the activity recognized during the year ended December 31, 2018 is as follows:

Beneficial Interests in Perpetual Trusts	Level 3 Total
Balance at January 1, 2018	\$ 1,629,120
Investment income	83,024
Distributions to beneficiary	(83,024)
Unrealized losses on perpetual trusts	(188,493)
Balance at December 31, 2018	<u>\$ 1,440,627</u>

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the hierarchy used at December 31, 2017 are as follows:

Description	2017			
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 2,405,517	\$ 2,405,517	\$ -	\$ -
U.S. equities	18,884,810	18,884,810	-	-
International equities	1,702,218	1,702,218	-	-
Mutual funds, equity	740,475	740,475	-	-
Mutual funds, fixed income	275,150	275,150	-	-
U.S. corporate debentures	6,232,195	-	6,232,195	-
U.S. Treasury securities and bonds of government sponsored enterprises	2,038,061	-	2,038,061	-
Total investments	32,278,426	24,008,170	8,270,256	-
Beneficial interests in perpetual trusts	1,629,120	-	-	1,629,120
Total	<u>\$ 33,907,546</u>	<u>\$ 24,008,170</u>	<u>\$ 8,270,256</u>	<u>\$ 1,629,120</u>

For assets falling within Level 3 of the fair value hierarchy, the activity recognized during the year ended December 31, 2017 is as follows:

Beneficial Interests in Perpetual Trusts	Level 3 Total
Balance at January 1, 2017	\$ 1,510,368
Investment income	67,480
Distributions to beneficiary	(67,480)
Unrealized gains on perpetual trusts	118,752
Balance at December 31, 2017	<u>\$ 1,629,120</u>

5. Long-Term Investments

Long-term investments are carried at fair value in the consolidated statements of financial position, and realized and unrealized gains and losses are reflected in the consolidated statements of activities and changes in net assets.

Fair values of long-term investments by net asset classification are as follows at December 31:

	2018	2017
Without donor restriction	\$ 29,395,339	\$ 31,758,036
With donor restrictions	487,346	520,390
	<u>\$ 29,882,685</u>	<u>\$ 32,278,426</u>

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Long-term investments are composed of the following classes of investments as of December 31:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 2,397,171	\$ 2,397,171	\$ 2,405,517	\$ 2,405,517
U.S. equities	16,101,032	17,115,686	15,429,178	18,884,810
International equities	1,356,806	1,321,651	1,368,211	1,702,218
Mutual funds, equity	674,485	715,565	714,137	740,475
Mutual funds, fixed income	304,260	276,083	252,012	275,150
U.S. corporate debentures	6,123,099	5,970,502	6,216,684	6,232,195
U.S. Treasury securities and bonds of government sponsored enterprises	2,099,561	2,079,299	2,054,104	2,038,061
Unit investment trusts	3,262	-	3,262	-
Other	6,575	6,728	-	-
	<u>\$ 29,066,251</u>	<u>\$ 29,882,685</u>	<u>\$ 28,443,105</u>	<u>\$ 32,278,426</u>

The relationship between cost and fair values of investments at December 31 are as follows:

	Fair Value	Cost	Excess (Deficiency) of Fair Value over Cost
Long-term investments, 2018	\$ 29,882,685	\$ 29,066,251	\$ 816,434
Long-term investments, 2017	32,278,426	28,443,105	3,835,321
Unrealized losses, net			(3,018,887)
Realized gains, net			1,505,441
Total investment losses, net			<u>\$ (1,513,446)</u>

The average annual yield based on the fair value of cash equivalents and long-term investments (net of investment expenses) was approximately 1.0 percent and 0.7 percent, and the annual total return including realized and unrealized gains and losses was approximately -3.9 percent and 12.3 percent, for the years ended December 31, 2018 and 2017, respectively.

6. Liquidity and Availability

The following table reflects the Organizations' financial assets as of December 31, 2018 and 2017, reduced by donor-restricted amounts not available for general expenditures within one year.

	2018	2017
Financial assets:		
Cash and cash equivalents	\$ 2,973,996	\$ 2,664,745
Receivable from estates and trusts	226,399	474,335
Less amounts unavailable for general expenditures within one year,		
Donor restriction for specified purposes	<u>(1,063,433)</u>	<u>(1,078,727)</u>
Total	<u>\$ 2,136,962</u>	<u>\$ 2,060,353</u>

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

As of December 31, 2018 and 2017, the Organizations held liquid assets on hand to cover its operating expenses for 352 and 320 days, respectively. The Organizations' practice is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organizations' long-term investments consist of quasi-endowment funds of \$29,395,339 and \$31,758,036 as of December 31, 2018 and 2017, respectively. As described in Note 8, the quasi-endowment has a spending rate of up to five percent. Approximately \$1,000,000 of appropriations from the quasi-endowment will be available within the next 12 months. In the event of an emergency or other Organizations' need, the Board, at its discretion, could expend the quasi-endowed funds

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2018</u>	<u>2017</u>
Society		
Direct benefit of animals	\$ 151,471	\$ 162,958
Undesignated activities of the Society	<u>1,556,494</u>	<u>1,712,711</u>
	1,707,965	1,875,669
Foundation		
Alternatives award programs	427,627	409,877
Beneficial interest in perpetual trust	<u>368,468</u>	<u>422,301</u>
	796,095	832,178
Total	<u>\$ 2,504,060</u>	<u>\$ 2,707,847</u>

Net assets with donor restrictions in the amounts of \$57,080 and \$38,137 were released from donor restrictions by incurring expenses satisfying the restricted purposes during 2018 and 2017, respectively.

8. Endowments and Similar Funds

The Society's endowment consists of three individual funds, one established for the direct benefit of animals and two for general purposes. Long-term investments include both donor-restricted endowment funds and funds that function as endowments (quasi-endowment). Net assets associated with endowment funds, including funds designated by the Board of Managers to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation does not have any formal endowment funds; its donor restricted net assets consist of a beneficial interest in a perpetual trust held by a third party and long term investments.

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Interpretation of Relevant Law

The Society's policy is to require 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. As a result of this interpretation, the Society classifies as net assets with donor restriction (a) the original value of the 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. Unexpended cumulative investment gains are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by the relevant state law. Unless specifically defined, a donor-restricted endowment fund that is required by donor stipulation to accumulate or appropriate endowment funds, the Board of Managers considers the following factors:

- 1) Preservation of the purchasing power of the fund;
- 2) The purposes of the donee organization and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effects of inflation and deflation;
- 5) The expected total return from income and potential future appreciation of investments;
- 6) Other resources of the donee organization;
- 7) The investment policies of the donee organization.

The following schedule presents the changes in all net assets attributable to endowment and funds functioning as endowment funds for the years ended December 31:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment and Similar Net Assets, Beginning of Year	\$ 31,758,036	\$ 520,390	\$ 32,278,426
Investment return:			
Investment income, net of expenses	307,236	9,300	316,536
Investment losses, net	(1,504,432)	(9,014)	(1,513,446)
Total investment return	(1,197,196)	286	(1,196,910)
Contributions invested	58,607	-	58,607
Transfers for restricted purposes	-	(22,758)	(22,758)
Appropriation of expenditures, spending rate	(1,224,108)	(10,572)	(1,234,680)
Endowment and Similar Net Assets, End of Year	\$ 29,395,339	\$ 487,346	\$ 29,882,685

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment and Similar Net Assets, Beginning of Year	\$ 28,408,769	\$ 489,131	\$ 28,897,900
Investment return:			
Investment income, net of expenses	212,630	9,829	222,459
Investment gains, net	3,516,956	31,667	3,548,623
Total investment return	3,729,586	41,496	3,771,082
Contributions invested	414,995	-	414,995
Transfers for restricted purposes	-	(8,713)	(8,713)
Appropriation of expenditures, spending rate	(795,314)	(1,524)	(796,838)
Endowment and Similar Net Assets, End of Year	<u>\$ 31,758,036</u>	<u>\$ 520,390</u>	<u>\$ 32,278,426</u>

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the Organizations to retain as a fund of perpetual duration. Such deficiencies, should they occur, would be reported as a reduction of unrestricted net assets. There were no such deficiencies at December 31, 2018 or 2017.

Return Objectives and Risk Parameters

The Organizations have adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of endowment assets. Endowment assets include investments of donor-restricted funds that the Society must hold in perpetuity and without donor restricted investments functioning as endowment. Under this policy, as approved by the Board of Managers, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of a weighted index comprised of S&P 500 index, MSCI EAFE index, Russell 2000 small cap index, Lehman intermediate government/corporate index and 90 day U.S. treasury bills, while assuming a level of investment risk acceptable to the Board of Managers.

Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organizations have a policy of appropriating income from endowment funds and funds functioning as endowment funds as needed, but not in excess of the spending policy. For the Society, the current spending policy is to distribute up to 5 percent of a moving three year average as of October 31st based on the fair value of endowment funds and funds functioning as endowment funds. For the Foundation, the current spending policy is to distribute up to 5 percent of a moving three year average as of December 31st based on the fair value of endowment funds and funds functioning as endowment funds. The amount needed to fund the distributions is first taken from the accumulated excess earnings from prior years, then from the accumulated unexpended net appreciation of endowment funds and, conversely, any undistributed income after the allocation of the total return distribution is added back to the temporarily restricted balance of cumulative net unexpended gains. Over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of four percent annually. This is consistent with the Society's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

9. Perpetual Trusts

The Society receives income without donor restriction from various perpetual trusts held by third parties. The Society's beneficial interests in these trusts are recorded at their estimated fair values of \$1,072,159 and \$1,206,819 as of December 31, 2018 and 2017, respectively. The Society's average annual yield on the estimated fair value of its beneficial interests in these trusts (exclusive of net investment gains and losses) was approximately 5.71 percent and 4.47 percent, for the years ended December 31, 2018 and 2017, respectively. The estimated fair value of these beneficial interests is described in Note 4.

The Foundation receives income without donor restriction from a perpetual trust held by a third party. As of December 31, 2018 and 2017, the estimated fair value of the Foundation's beneficial interest in the trust is \$368,468 and \$422,301, respectively, and is considered donor restricted in perpetuity.

The Foundation's average annual yield on the estimated fair value of its beneficial interest in the perpetual trust was approximately 4.55 percent and 3.81 percent for the years ended December 31, 2018 and 2017, respectively.

10. Grants Payable

During 2013, the Society made a grant to another nonprofit organization. The grant represents a portion of the expenses to care for seven chimpanzees for the remainder of their lifetimes. As of December 31, 2018 and 2017 respectively, the chimpanzees' ages range from seven to nine years and six to eight years of age respectively, and have remaining life expectancies ranging from 51 to 53 years and 52 to 54 years, respectively. Annual expense inflation has been assumed at 2.1 percent and 2.2 percent and the estimated payments have been discounted at 4.50 percent and 3.97 percent, for the years December 31, 2018 and 2017, respectively. Remaining payments, prior to discounting, were \$3,301,450 and 3,291,704 at December 31, 2018 and 2017, respectively.

Future estimated grant payments are as follows as of December 31, 2018 and 2017, respectively:

	<u>2018</u>	<u>2017</u>
Payable in less than one year	\$ 32,876	33,742
Payable in one to five years	138,555	142,590
Payable in over five years to 10 years	<u>3,130,019</u>	<u>3,115,372</u>
	3,301,450	3,291,704
Less discount on amounts payable over more than one year	<u>(2,286,209)</u>	<u>(2,102,641)</u>
Grant payable	<u>\$ 1,015,241</u>	<u>1,189,063</u>

The components of grant expense for the years ended December 31, 2018 and 2017, respectively are as follows:

	<u>2018</u>	<u>2017</u>
Gross grant payments	\$ 310,500	341,000
Adjustment on present value of chimp haven liability	<u>(140,811)</u>	<u>21,048</u>
American Anti-Vivisection Society grant expense, net	169,689	362,048
Alternatives Research Development Foundation grants expense	<u>308,540</u>	<u>223,998</u>
Total grant expense, net	<u>\$ 478,229</u>	<u>586,046</u>

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

11. Leases

The Society leases its office space under the terms of a non-cancelable agreement classified as an operating lease which expires July 31, 2021. The Foundation also leases its office space under the terms of a non-cancelable agreement classified as an operating lease which expires July 31, 2021.

Total rent expense for all operating leases for the years ended December 31, 2018 and 2017 was \$138,322 and \$122,850, respectively.

Future minimum annual payments under all non-cancelable operating leases are as follows at December 31, 2018:

	<u>Operating Leases</u>
2019	\$ 139,223
2020	139,223
2021	84,997
2022	6,523

12. Retirement Plan

The Society sponsors a Savings Incentive Match Plan for Employees ("SIMPLE") 401(k) plan covering substantially all employees. A SIMPLE is a qualified defined contribution retirement plan for small employers that allows eligible employees to defer compensation on a pre-tax basis, and requires the employer to make either matching contributions for eligible employees who elect to participate, or non-elective contributions for all eligible employees (including those who do not elect to participate but meet eligibility requirements).

Eligible employees of the Society and Foundation have established individual accounts with a qualified plan custodian and are 100 percent vested in their account balances. The amount of expense recognized from employer contributions to the employee's SIMPLE 401(k) accounts for each of the years ended December 31, 2018 and 2017 is \$26,599 and \$28,654, respectively.

The Society's policy is to fund contributions as they become payable.

13. Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2018 and 2017 is \$31,654 and \$31,017, respectively.

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

14. Related Party Transactions

The following related party transactions are recorded in the accompanying consolidated financial statements for the years ended December 31:

Relationship to the Society and the Foundation	Transaction	2018	2017
Member of the Board of Managers and also the Treasurer	Investment advisory services provided through the employer of the Member on behalf of the Society and the Foundation	\$ 221,122	\$ 199,180
Family Member of the Board of Managers	Investment advisory services and commissions earned on investment brokerage conducted through the employer of a family member on behalf of the Society	61,717	112,882
Member of the Board of Directors and also the President of the Society	Grant disbursed to the Global Federation of Animal Sanctuaries	16,500	10,000

15. Expenses Classified by Function and Nature

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. An analysis of expenses by both function and natural classification is provided on the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among program, general and administrative, and fundraising functions. The expenses that are allocated include salaries, payroll taxes, and employee benefits which are allocated by department and estimated time and effort, as well as, occupancy, telecommunications, printing and copying which are allocated based upon approximate square footage and patterns of use.

The American Anti-Vivisection Society

Schedule I - Consolidating Statement of Financial Position

December 31, 2018

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Assets			
Cash and cash equivalents	\$ 2,427,728	\$ 546,268	\$ 2,973,996
Prepaid expenses	43,778	-	43,778
Receivables from estates and trusts	226,399	-	226,399
Due (to) from affiliate	(18,805)	18,805	-
Inventory	5,880	-	5,880
Furniture and equipment, net of accumulated depreciation of \$521,119 and \$9,396	5,386	-	5,386
Long-term investments at fair value	20,808,375	9,074,310	29,882,685
Beneficial interests in perpetual trusts	1,072,159	368,468	1,440,627
Total assets	\$ 24,570,900	\$ 10,007,851	\$ 34,578,751
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 16,480	\$ 1,335	\$ 17,815
Accrued compensation and related items	40,952	-	40,952
Deferred dues revenue	128,300	-	128,300
Grants payable	1,015,241	-	1,015,241
Other	94,989	-	94,989
Total liabilities	1,295,962	1,335	1,297,297
Net Assets			
Without donor restrictions	21,566,973	9,210,421	30,777,394
With donor restriction	1,707,965	796,095	2,504,060
Total net assets	23,274,938	10,006,516	33,281,454
Total liabilities and net assets	\$ 24,570,900	\$ 10,007,851	\$ 34,578,751

The American Anti-Vivisection Society

Schedule II - Consolidating Statement of Financial Position

December 31, 2017

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Assets			
Cash and cash equivalents	\$ 2,026,742	\$ 618,003	\$ 2,644,745
Prepaid expenses	35,042	-	35,042
Receivables from estates and trusts	474,335	-	474,335
Due from (to) affiliate	43,374	(43,374)	-
Inventory	5,880	-	5,880
Furniture and equipment, net of accumulated depreciation of \$521,760 and \$9,396	6,959	-	6,959
Long-term investments at fair value	22,662,502	9,615,924	32,278,426
Beneficial interests in perpetual trusts	1,206,819	422,301	1,629,120
	<u>26,461,653</u>	<u>10,612,854</u>	<u>37,074,507</u>
Total assets	<u>\$ 26,461,653</u>	<u>\$ 10,612,854</u>	<u>\$ 37,074,507</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 13,333	\$ -	\$ 13,333
Accrued compensation and related items	42,735	-	42,735
Deferred dues revenue	137,387	-	137,387
Grants payable	1,189,063	-	1,189,063
Other	102,100	-	102,100
	<u>1,484,618</u>	<u>-</u>	<u>1,484,618</u>
Total liabilities	<u>1,484,618</u>	<u>-</u>	<u>1,484,618</u>
Net Assets			
Without donor restrictions	23,101,366	9,780,676	32,882,042
With donor restriction	1,875,669	832,178	2,707,847
	<u>24,977,035</u>	<u>10,612,854</u>	<u>35,589,889</u>
Total net assets	<u>24,977,035</u>	<u>10,612,854</u>	<u>35,589,889</u>
Total liabilities and net assets	<u>\$ 26,461,653</u>	<u>\$ 10,612,854</u>	<u>\$ 37,074,507</u>

The American Anti-Vivisection Society

Schedule III - Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2018

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Net Assets Without Donor Restrictions			
Revenue, (Losses) Gains and Other Support			
Bequests	\$ 386,426	\$ -	\$ 386,426
Investment income from long-term investments, net of investment expenses of \$155,189 and \$105,435	268,177	39,059	307,236
Investment income from perpetual trusts	50,128	17,971	68,099
Dues	215,304	-	215,304
Contributions	431,346	16,370	447,716
Realized gains on long-term investments, net	748,351	742,847	1,491,198
Unrealized (losses) on long-term investments, net	(2,032,607)	(948,098)	(2,980,705)
Other income	122,522	-	122,522
	<u>189,647</u>	<u>(131,851)</u>	<u>57,796</u>
Net assets released from restrictions	<u>33,330</u>	<u>23,750</u>	<u>57,080</u>
Total revenue, gains (losses) and other support	<u>222,977</u>	<u>(108,101)</u>	<u>114,876</u>
Expenses			
Program services:			
Campaigns and outreach	1,068,025	-	1,068,025
Animalearn	196,270	-	196,270
Alternatives research	-	425,459	425,459
	<u>1,264,295</u>	<u>425,459</u>	<u>1,689,754</u>
Supporting services:			
General and administrative	240,691	36,695	277,386
Fundraising	252,384	-	252,384
	<u>493,075</u>	<u>36,695</u>	<u>529,770</u>
Total expenses	<u>1,757,370</u>	<u>462,154</u>	<u>2,219,524</u>
Decrease in net assets without donor restrictions	<u>(1,534,393)</u>	<u>(570,255)</u>	<u>(2,104,648)</u>

The American Anti-Vivisection Society

Schedule III - Consolidating Statement of Activities and Changes in Net Assets (Continued)

Year Ended December 31, 2018

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Net Assets With Donor Restrictions			
Investment income from long-term investments	\$ 9,300	\$ -	\$ 9,300
Investment income from perpetual trusts	14,925	-	14,925
Contributions	-	41,500	41,500
Realized gains on long-term investments, net	14,243	-	14,243
Unrealized losses on long-term investments, net	(38,182)	-	(38,182)
Unrealized (losses) on beneficial interests in perpetual trusts	(134,660)	(53,833)	(188,493)
Net assets released from restrictions	<u>(33,330)</u>	<u>(23,750)</u>	<u>(57,080)</u>
Decrease in net assets with donor restriction	<u>(167,704)</u>	<u>(36,083)</u>	<u>(203,787)</u>
Change in net assets	(1,702,097)	(606,338)	(2,308,435)
Net Assets, Beginning	<u>24,977,035</u>	<u>10,612,854</u>	<u>35,589,889</u>
Net Assets, Ending	<u>\$ 23,274,938</u>	<u>\$ 10,006,516</u>	<u>\$ 33,281,454</u>

The American Anti-Vivisection Society

Schedule IV - Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017

	<u>The American Anti-Vivisection Society</u>	<u>Alternatives Research and Development Foundation</u>	<u>Total</u>
Net Assets Without Donor Restrictions			
Revenue, Gains and Other Support			
Bequests	\$ 887,754	\$ -	\$ 887,754
Investment income from long-term investments, net of investment expenses of \$151,029 and \$93,927	184,148	28,482	212,630
Investment income from perpetual trusts	39,080	15,500	54,580
Dues	218,081	-	218,081
Contributions	439,295	43,569	482,864
Realized gains on long-term investments, net	491,898	423,218	915,116
Unrealized gains on long-term investments, net	1,627,820	974,020	2,601,840
Other income	95,758	-	95,758
	<u>3,983,834</u>	<u>1,484,789</u>	<u>5,468,623</u>
Net assets released from restrictions	<u>23,137</u>	<u>15,000</u>	<u>38,137</u>
Total revenue, gains and other support	<u>4,006,971</u>	<u>1,499,789</u>	<u>5,506,760</u>
Expenses			
Program services:			
Campaigns and outreach	1,256,570	-	1,256,570
Animalearn	196,512	-	196,512
Alternatives research	-	393,043	393,043
	<u>1,453,082</u>	<u>393,043</u>	<u>1,846,125</u>
Supporting services:			
General and administrative	205,265	44,420	249,685
Fundraising	234,628	-	234,628
	<u>439,893</u>	<u>44,420</u>	<u>484,313</u>
Total expenses	<u>1,892,975</u>	<u>437,463</u>	<u>2,330,438</u>
Increase in net assets without donor restrictions	<u>2,113,996</u>	<u>1,062,326</u>	<u>3,176,322</u>

The American Anti-Vivisection Society

Schedule IV - Consolidating Statement of Activities and Changes in Net Assets (Continued)

Year Ended December 31, 2017

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Net Assets With Donor Restriction			
Investment income from long-term investments	\$ 9,829	\$ -	\$ 9,829
Investment income from perpetual trusts	12,900	-	12,900
Contributions	-	40,000	40,000
Realized gains on long-term investments, net	35,834	-	35,834
Unrealized gains on long-term investments, net	(4,167)	-	(4,167)
Unrealized (losses) on beneficial interests in perpetual trusts	86,874	31,878	118,752
Net assets released from restrictions	<u>(23,137)</u>	<u>(15,000)</u>	<u>(38,137)</u>
 Increase in net assets with donor restrictions	 <u>118,133</u>	 <u>56,878</u>	 <u>175,011</u>
 Change in net assets	 2,232,129	 1,119,204	 3,351,333
Net Assets, Beginning	<u>22,744,906</u>	<u>9,493,650</u>	<u>32,238,556</u>
Net Assets, Ending	<u><u>\$ 24,977,035</u></u>	<u><u>\$ 10,612,854</u></u>	<u><u>\$ 35,589,889</u></u>

The American Anti-Vivisection Society

Schedule V - Consolidating Statement of Cash Flows
Year Ended December 31, 2018

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Cash Flows from Operating Activities			
Change in net assets	\$ (1,702,097)	\$ (606,338)	\$ (2,308,435)
Adjustments to reconcile changes in net assets to net cash used in operating activities:			
Depreciation	5,358	-	5,358
Realized (losses) on long-term investments, net	(762,594)	(742,847)	(1,505,441)
Unrealized gains on long-term investments, net	2,070,789	948,098	3,018,887
Unrealized net gains on beneficial interest in perpetual trusts	134,660	53,833	188,493
(Increase) decrease in assets:			
Prepaid expenses	(8,736)	-	(8,736)
Receivables from estates and trusts	247,936	-	247,936
Inventory	-	-	-
Increase (decrease) in liabilities:			
Accounts payable	3,147	1,335	4,482
Accrued compensation and related items	(1,783)	-	(1,783)
Due to (from) affiliate	62,179	(62,179)	-
Deferred dues revenue	(9,087)	-	(9,087)
Grants payable	(173,822)	-	(173,822)
Other	(7,111)	-	(7,111)
Net cash used in operating activities	<u>(141,161)</u>	<u>(408,098)</u>	<u>(549,259)</u>
Cash Flows from Investing Activities			
Purchases of furniture and equipment	(3,785)	-	(3,785)
Purchases of long-term investments	(4,709,437)	(1,651,512)	(6,360,949)
Proceeds from sales and maturities of long-term investments	<u>5,255,369</u>	<u>1,987,875</u>	<u>7,243,244</u>
Net cash provided by investing activities	<u>542,147</u>	<u>336,363</u>	<u>878,510</u>
Net increase (decrease) in cash and cash equivalents	400,986	(71,735)	329,251
Cash and Cash Equivalents, Beginning	<u>2,026,742</u>	<u>618,003</u>	<u>2,644,745</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,427,728</u>	<u>\$ 546,268</u>	<u>\$ 2,973,996</u>

The American Anti-Vivisection Society

Schedule VI - Consolidating Statement of Cash Flows
Year Ended December 31, 2017

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Cash Flows from Operating Activities			
Change in net assets	\$ 2,232,129	\$ 1,119,204	\$ 3,351,333
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:			
Depreciation	12,642	-	12,642
Realized gains on long-term investments, net	(527,732)	(423,218)	(950,950)
Unrealized gains on long-term investments, net	(1,623,653)	(974,020)	(2,597,673)
Unrealized net gains on beneficial interests in perpetual trusts	(86,874)	(31,878)	(118,752)
(Increase) decrease in assets:			
Prepaid expenses	913	-	913
Receivables from estates and trusts	(307,953)	-	(307,953)
Inventory	5,304	-	5,304
Increase (decrease) in liabilities:			
Accounts payable	(21,733)	(3,703)	(25,436)
Accrued compensation and related items	(1,189)	-	(1,189)
Due to (from) affiliate	(30,969)	30,969	-
Deferred dues revenue	1,747	-	1,747
Grants payable	(13,985)	-	(13,985)
Other	(2,049)	-	(2,049)
Net cash provided by (used in) operating activities	<u>(363,402)</u>	<u>(282,646)</u>	<u>(646,048)</u>
Cash Flows from Investing Activities			
Purchases of furniture and equipment	(3,021)	-	(3,021)
Purchases of long-term investments	(18,690,091)	(1,572,505)	(20,262,596)
Proceeds from sales and maturities of long-term investments	<u>18,586,188</u>	<u>1,844,505</u>	<u>20,430,693</u>
Net cash (used in) provided by investing activities	<u>(106,924)</u>	<u>272,000</u>	<u>165,076</u>
Net (decrease) increase in cash and cash equivalents	(470,326)	(10,646)	(480,972)
Cash and Cash Equivalents, Beginning	<u>2,497,068</u>	<u>628,649</u>	<u>3,125,717</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,026,742</u>	<u>\$ 618,003</u>	<u>\$ 2,644,745</u>

The American Anti-Vivisection Society

Schedule VII - Consolidating Schedule of Functional Expenses
 Year Ended December 31, 2018

	American Anti-Vivisection Society	Alternatives Research Development Foundation	Programs	American Anti-Vivisection Society	Alternatives Research Development Foundation	General and Administrative	American Anti-Vivisection Society	Alternatives Research Development Foundation	Fundraising	Total
Grants	\$ 169,689	\$ 308,540	\$ 478,229	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 478,229
Contribution to Ryerss	22,758	-	22,758	-	-	-	-	-	-	22,758
Salaries	430,341	25,037	455,378	90,573	6,258	96,831	33,965	-	33,965	586,174
Employee benefits	93,603	9,723	103,326	20,034	2,431	22,465	7,521	-	7,521	133,312
Payroll taxes	36,565	768	37,333	7,698	192	7,890	2,887	-	2,887	48,110
Professional fees	7,302	44,105	51,407	89,746	23,664	113,410	155	-	155	164,972
Membership development	-	-	-	-	-	-	142,156	-	142,156	142,156
Office supplies	9,839	-	9,839	-	-	-	-	-	-	9,839
Telecommunications	22,096	137	22,233	463	21	484	461	-	461	23,178
Occupancy	105,558	13,463	119,021	9,806	3,366	13,172	6,129	-	6,129	138,322
Equipment rental and maintenance	33,480	-	33,480	5,653	-	5,653	14,437	-	14,437	53,570
Printing, publications and postage	137,400	950	138,350	62	99	161	43,970	-	43,970	182,481
Design	3,618	-	3,618	-	-	-	-	-	-	3,618
Travel	22,762	7,307	30,069	-	-	-	-	-	-	30,069
Conferences, conventions and meetings	33,175	876	34,051	18	-	18	-	-	-	34,069
Office expense and miscellaneous	3,862	-	3,862	3,905	349	4,254	-	-	-	8,116
Insurance	9,924	-	9,924	408	315	723	153	-	153	10,800
Advertising	30,829	275	31,104	-	-	-	550	-	550	31,654
Research and information services	234	12,306	12,540	12,325	-	12,325	-	-	-	24,865
Consultant fees	70,065	1,972	72,037	-	-	-	-	-	-	72,037
Public relations	14,750	-	14,750	-	-	-	-	-	-	14,750
Depreciation	5,358	-	5,358	-	-	-	-	-	-	5,358
Educational material	1,087	-	1,087	-	-	-	-	-	-	1,087
	<u>\$ 1,264,295</u>	<u>\$ 425,459</u>	<u>\$ 1,689,754</u>	<u>\$ 240,691</u>	<u>\$ 36,695</u>	<u>\$ 277,386</u>	<u>\$ 252,384</u>	<u>\$ -</u>	<u>\$ 252,384</u>	<u>\$ 2,219,524</u>

The American Anti-Vivisection Society

Schedule VII - Consolidating Schedule of Functional Expenses

Year Ended December 31, 2017

	American Anti-Vivisection Society	Alternatives Research Development Foundation	Programs	American Anti-Vivisection Society	Alternatives Research Development Foundation	General and Administrative	American Anti-Vivisection Society	Alternatives Research Development Foundation	Fundraising	Total
Grants	\$ 362,048	\$ 223,998	\$ 586,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 586,046
Contribution to Ryerss	31,613	-	31,613	-	-	-	-	-	-	31,613
Salaries	422,105	26,122	448,227	89,181	6,530	95,711	33,443	-	-	577,381
Employee benefits	88,214	8,892	97,106	19,013	2,223	21,236	7,130	-	33,443	125,472
Payroll taxes	36,400	764	37,164	7,662	191	7,853	2,874	-	7,130	47,891
Professional fees	6,365	48,256	54,621	76,199	30,901	107,100	-	-	2,874	161,721
Membership development	-	-	-	-	-	-	134,168	-	-	134,168
Office supplies	14,675	-	14,675	-	-	-	-	-	134,168	14,675
Telecommunications	17,294	727	18,021	358	141	499	358	-	-	18,878
Occupancy	92,373	13,210	105,583	8,593	3,303	11,896	5,371	-	358	122,850
Equipment rental and maintenance	35,125	-	35,125	-	-	-	9,799	-	5,371	44,924
Printing, publications and postage	179,238	5,426	184,664	125	543	668	36,592	-	9,799	221,924
Design	3,334	-	3,334	-	-	-	90	-	36,592	3,424
Travel	21,707	11,204	32,911	-	-	-	-	-	90	32,911
Conferences, conventions and meetings	26,350	2,702	29,052	-	-	-	89	-	-	29,141
Office expense and miscellaneous	3,354	-	3,354	3,763	297	4,060	-	-	89	7,414
Insurance	9,568	-	9,568	371	291	662	139	-	-	10,369
Advertising	25,612	830	26,442	-	-	-	4,575	-	139	31,017
Research and information services	6,387	12,339	18,726	-	-	-	-	-	4,575	18,726
Consultant fees	38,617	38,573	77,190	-	-	-	-	-	-	77,190
Public relations	19,855	-	19,855	-	-	-	-	-	-	19,855
Depreciation	12,642	-	12,642	-	-	-	-	-	-	12,642
Educational material	206	-	206	-	-	-	-	-	-	206
	<u>\$ 1,453,082</u>	<u>\$ 393,043</u>	<u>\$ 1,846,125</u>	<u>\$ 205,265</u>	<u>\$ 44,420</u>	<u>\$ 249,685</u>	<u>\$ 234,628</u>	<u>\$ -</u>	<u>\$ 234,628</u>	<u>\$ 2,330,438</u>