

# **The American Anti-Vivisection Society**

Financial Statements and  
Supplementary Information

December 31, 2019 and 2018

# The American Anti-Vivisection Society

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December 31, 2019 and 2018

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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, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, 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, 2019 and 2018, 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 23 - 32 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  
March 31, 2020

# The American Anti-Vivisection Society

Consolidated Statements of Financial Position

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,695,202	\$ 2,973,996
Prepaid expenses	42,426	43,778
Receivables from estates and trusts	338,879	226,399
Inventory	-	5,880
Furniture and equipment, net of accumulated depreciation of \$539,253 and \$536,515	6,459	5,386
Long-term investments at fair value	35,493,157	29,882,685
Beneficial interests in perpetual trusts	1,793,373	1,440,627
	<u>40,369,496</u>	<u>34,578,751</u>
Total assets	<u>\$ 40,369,496</u>	<u>\$ 34,578,751</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,340	\$ 17,815
Accrued compensation and related items	50,582	40,952
Deferred dues revenue	129,001	128,300
Grants payable	1,356,862	1,015,241
Other	96,956	94,989
	<u>1,639,741</u>	<u>1,297,297</u>
Total liabilities	<u>1,639,741</u>	<u>1,297,297</u>
<b>Net Assets</b>		
Without donor restrictions	35,809,901	30,777,394
With donor restriction	2,919,854	2,504,060
	<u>38,729,755</u>	<u>33,281,454</u>
Total net assets	<u>38,729,755</u>	<u>33,281,454</u>
Total liabilities and net assets	<u>\$ 40,369,496</u>	<u>\$ 34,578,751</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Net Assets Without Donor Restrictions</b>		
<b>Revenue, Gains (Losses) and Other Support</b>		
Bequests	\$ 652,362	\$ 386,426
Investment income from long-term investments, net of investment expenses of \$323,837 and \$260,624	317,535	307,236
Investment income from perpetual trusts	54,828	68,099
Dues	211,344	215,304
Contributions	513,114	447,716
Realized gains on long-term investments, net	1,108,890	1,491,198
Unrealized gains (losses) on long-term investments, net	4,633,519	(2,980,705)
Other income	227,002	122,522
	<u>7,718,594</u>	<u>57,796</u>
Net assets released from restrictions	69,278	57,080
Total revenue, gains and other support	<u>7,787,872</u>	<u>114,876</u>
<b>Expenses</b>		
Program services:		
Campaigns and outreach	1,539,924	1,068,025
Animalearn	226,092	196,270
Alternatives research	351,867	425,459
	<u>2,117,883</u>	<u>1,689,754</u>
Supporting services:		
General and administrative	316,777	277,386
Fundraising	320,705	252,384
	<u>637,482</u>	<u>529,770</u>
Total expenses	<u>2,755,365</u>	<u>2,219,524</u>
Increase (decrease) in net assets without donor restrictions	<u>5,032,507</u>	<u>(2,104,648)</u>
<b>Net Assets With Donor Restrictions</b>		
Investment income from long-term investments	11,730	9,300
Investment income from perpetual trusts	15,175	14,925
Contributions	50,000	41,500
Realized gains on long-term investments, net	10,096	14,243
Unrealized gains (losses) on long-term investments, net	45,325	(38,182)
Unrealized gains (losses) on beneficial interests in perpetual trusts	352,746	(188,493)
Net assets released from restrictions	(69,278)	(57,080)
Increase (decrease) in net assets with donor restrictions	<u>415,794</u>	<u>(203,787)</u>
Change in net assets	5,448,301	(2,308,435)
<b>Net Assets, Beginning</b>	<u>33,281,454</u>	<u>35,589,889</u>
<b>Net Assets, Ending</b>	<u>\$ 38,729,755</u>	<u>\$ 33,281,454</u>

See notes to consolidated financial statements

## The American Anti-Vivisection Society

### Consolidated Statement of Functional Expenses

Year Ended December 31, 2019 (Summarized totals for the year ended December 31, 2018)

	2019			2018	
	Programs	General and Administrative	Fundraising	Total	
Grants	\$ 929,104	\$ -	\$ -	\$ 929,104	\$ 478,229
Contribution to Ryerss	25,113	-	-	25,113	22,758
Salaries	418,140	134,578	49,761	602,479	586,174
Employee benefits	107,783	34,326	12,642	154,751	133,312
Payroll taxes	33,256	11,296	4,172	48,724	48,110
Professional fees	24,486	104,682	3,041	132,209	164,972
Membership development	129	-	133,028	133,157	142,156
Office supplies	7,617	1,831	657	10,105	9,839
Telecommunications	26,607	750	1,960	29,317	23,178
Occupancy	98,840	9,946	9,423	118,209	138,322
Equipment rental and maintenance	37,563	14,495	5,730	57,788	53,570
Printing, publications and postage	155,327	269	61,496	217,092	182,481
Design	4,754	-	-	4,754	3,618
Travel	43,039	-	-	43,039	30,069
Conferences, conventions and meetings	33,344	-	-	33,344	34,069
Office expense and miscellaneous	2,313	4,053	12,665	19,031	8,116
Insurance	9,593	551	210	10,354	10,800
Advertising	24,291	-	-	24,291	31,654
Research and information services	13,675	-	-	13,675	24,865
Consultant fees	114,291	-	25,920	140,211	72,037
Public relations	-	-	-	-	14,750
Depreciation	2,738	-	-	2,738	5,358
Educational material	5,880	-	-	5,880	1,087
	<u>\$ 2,117,883</u>	<u>\$ 316,777</u>	<u>\$ 320,705</u>	<u>\$ 2,755,365</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, 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 Statements of Cash Flows  
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 5,448,301	\$ (2,308,435)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	2,738	5,358
Realized gains on long-term investments, net	(1,118,986)	(1,505,441)
Unrealized (gains) losses on long-term investments, net	(4,678,844)	3,018,887
Unrealized (gains) losses on beneficial interests in perpetual trusts	(352,746)	188,493
(Increase) decrease in assets:		
Prepaid expenses	1,352	(8,736)
Receivables from estates and trusts	(112,480)	247,936
Inventory	5,880	-
Increase (decrease) in liabilities:		
Accounts payable	(11,475)	4,482
Accrued compensation and related items	9,630	(1,783)
Deferred dues revenue	701	(9,087)
Grants payable	341,621	(173,822)
Other	1,967	(7,111)
Net cash used in operating activities	<u>(462,341)</u>	<u>(549,259)</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of furniture and equipment	(3,811)	(3,785)
Purchases of long-term investments	(9,336,088)	(6,360,949)
Proceeds from sales and maturities of long-term investments	<u>9,523,446</u>	<u>7,243,244</u>
Net cash provided by investing activities	<u>183,547</u>	<u>878,510</u>
Net (decrease) increase in cash and cash equivalents	(278,794)	329,251
<b>Cash and Cash Equivalents, Beginning</b>	<u>2,973,996</u>	<u>2,644,745</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 2,695,202</u>	<u>\$ 2,973,996</u>

See notes to consolidated financial statements

# The American Anti-Vivisection Society

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

## 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.

### 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.

# **The American Anti-Vivisection Society**

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## Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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.

### **Contributions**

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.

### **Revenue Recognition and Disaggregation of Revenue**

Dues are recognized as revenue over the applicable term of the membership. Life memberships are recorded as revenue when received. The members pay dues in exchange for a defined set of benefits. The unsatisfied or partially unsatisfied performance obligations are primarily related to distribution of bi-monthly newsletter at the end of the reporting period. The performance obligations for these membership benefits are evenly distributed throughout the year. The Society believes that this method provides a faithful depiction of the transfers of services over the term of the defined performance obligations based on the inputs needed to satisfy the obligation.

# The American Anti-Vivisection Society

Notes to Consolidated Financial Statements  
December 31, 2019 and 2018

## Deferred Dues Revenue

The following table depicts activities for deferred dues revenue.

Balance at December 31, 2018	Refunds Issued	Revenue Recognized Included in December 31, 2018 Balance	Cash Received in Advance of Performance	Balance at December 31, 2019
\$ 128,300	\$ -	\$ 128,300	\$ 129,001	\$ 129,001

The balance of deferred dues revenue at December 31, 2019, less any refunds issued, will be recognized as revenue in 2020.

The Organizations' applies the practical expedient in Financial Accounting Standards Board (FASB) Accounting Standards Codification 606-10-50-14 and, therefore, does not disclose information about remaining performance obligations that have original durations of one year or less.

## 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.

## 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 2019, 2018 and 2017 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.

# The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

## 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.

## Accounting Standards Adopted in the Current Year

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organizations adopted this guidance during the year ended December 31, 2019 utilizing the modified retrospective method, and the adoption of this guidance did not have a material impact on the Organizations' business practices, financial condition, or changes in net assets during the fiscal year ended December 31, 2019. The primary impact of adopting the new standard has been expanded disclosures pertaining to revenue recognition with Note 1.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Organizations' adopted the new standard effective January 1, 2019. The adoption did not have any impact on the Organizations' financial statements.

## Recently Issued Accounting Standards Not Yet Adopted

In February 2016, the 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 statements 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, 2020. 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 financial statements.

## Subsequent Events

Management has evaluated subsequent events through March 31, 2020, which is the date the consolidated financial statements were available to be issued.

# The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

### 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.

### 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 American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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.

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the hierarchy used at December 31, 2019 are as follows:

Description	2019			
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 3,050,284	\$ 3,050,284	\$ -	\$ -
U.S. equities	22,195,295	22,195,295	-	-
International equities	692,695	692,695	-	-
Mutual funds, equity	777,982	777,982	-	-
Mutual funds, fixed income	251,144	251,144	-	-
U.S. corporate debentures	6,359,832	-	6,359,832	-
U.S Treasury securities and bonds of government sponsored enterprises	2,160,881	-	2,160,881	-
Other	5,044	5,044	-	-
Total investments	35,493,157	26,972,444	8,520,713	-
Beneficial interests in perpetual trusts	1,793,373	-	-	1,793,373
Total	\$ 37,286,530	\$ 26,972,444	\$ 8,520,713	\$ 1,793,373

For assets falling within Level 3 of the fair value hierarchy, the activity recognized during the year ended December 31, 2019 is as follows:

Beneficial Interests in Perpetual Trusts	Level 3 Total
Balance at January 1, 2019	\$ 1,440,627
Investment income	70,003
Distributions to beneficiary	(70,003)
Unrealized gains on perpetual trusts	352,746
Balance at December 31, 2019	\$ 1,793,373

# The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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	\$ 31,323,312	\$ 21,832,884	\$ 8,049,801	\$ 1,440,627

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	\$ 1,440,627

## 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:

	2019	2018
Without donor restriction	\$ 34,809,916	\$ 29,395,339
With donor restrictions	683,241	487,346
	\$ 35,493,157	\$ 29,882,685



## The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 3,050,284	\$ 3,050,284	\$ 2,397,171	\$ 2,397,171
U.S. equities	16,436,461	22,195,295	16,101,032	17,115,686
International equities	1,333,036	692,695	1,356,806	1,321,651
Mutual funds, equity	695,863	777,982	674,485	715,565
Mutual funds, fixed income	250,676	251,144	304,260	276,083
U.S. corporate debentures	6,113,184	6,359,832	6,123,099	5,970,502
U.S. Treasury securities and bonds of government sponsored enterprises	2,114,577	2,160,881	2,099,561	2,079,299
Unit investment trusts	-	-	3,262	-
Other	3,798	5,044	6,575	6,728
	<u>\$ 29,997,879</u>	<u>\$ 35,493,157</u>	<u>\$ 29,066,251</u>	<u>\$ 29,882,685</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, 2019	\$ 35,493,157	\$ 29,997,879	\$ 5,495,278
Long-term investments, 2018	29,882,685	29,066,251	816,434
Unrealized gains, net			4,678,844
Realized gains, net			1,118,986
Total investment gains, net			<u>\$ 5,797,830</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 1.0 percent, and the annual total return including realized and unrealized gains and losses was approximately 18.7 percent and (3.9) percent, for the years ended December 31, 2019 and 2018, respectively.

## The American Anti-Vivisection Society

Notes to Consolidated Financial Statements  
December 31, 2019 and 2018

### 6. Liquidity and Availability

The following table reflects the Organizations' financial assets as of December 31, 2019 and 2018, reduced by donor-restricted amounts not available for general expenditures within one year.

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 2,695,202	\$ 2,973,996
Receivable from estates and trusts	338,879	226,399
Less amounts unavailable for general expenditures within one year:		
Donor restriction for specified purposes	<u>(443,240)</u>	<u>(576,087)</u>
 Total	 <u>\$ 2,590,841</u>	 <u>\$ 2,624,308</u>

As of December 31, 2019 and 2018, the Organizations held liquid assets on hand to cover its operating expenses for 344 and 432 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 \$34,809,916 and \$29,395,339 as of December 31, 2019 and 2018, 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

Net assets without donor restrictions are available for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Society		
Undesignated	\$ 760,007	\$ 1,245,944
Funds held for long-term investment (endowment)	<u>24,072,114</u>	<u>20,321,029</u>
	<u>24,832,121</u>	<u>21,566,973</u>
Foundation		
Undesignated	239,978	136,111
Funds held for long-term investment (endowment)	<u>10,737,802</u>	<u>9,074,310</u>
	<u>10,977,780</u>	<u>9,210,421</u>
 Total	 <u>\$ 35,809,901</u>	 <u>\$ 30,777,394</u>

# The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

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

	<u>2019</u>	<u>2018</u>
Society		
Direct benefit of animals	\$ 162,699	\$ 151,471
Undesignated activities of the Society	<u>1,899,751</u>	<u>1,556,494</u>
	<u>2,062,450</u>	<u>1,707,965</u>
Foundation		
Alternatives award programs	443,240	427,627
Beneficial interest in perpetual trust	<u>414,164</u>	<u>368,468</u>
	<u>857,404</u>	<u>796,095</u>
Total	<u>\$ 2,919,854</u>	<u>\$ 2,504,060</u>

Net assets with donor restrictions in the amounts of \$69,278 and \$57,080 were released from donor restrictions by incurring expenses satisfying the restricted purposes during 2019 and 2018, 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.

### 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) enhancements or diminishments of the funds from investment income, gain/(loss), and spending allowance. 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 American Anti-Vivisection Society

Notes to Consolidated Financial Statements  
December 31, 2019 and 2018

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:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment and Similar Net Assets, Beginning of Year</b>	\$ 29,395,339	\$ 487,346	\$ 29,882,685
Investment return:			
Investment income, net of expenses	317,535	11,730	329,265
Investment gains, net	5,742,409	55,421	5,797,830
Total investment return	6,059,944	67,151	6,127,095
Contributions invested	606,415	148,460	754,875
Transfers for restricted purposes	-	(9,938)	(9,938)
Appropriation of expenditures, spending rate	(1,251,782)	(9,778)	(1,261,560)
<b>Endowment and Similar Net Assets, End of Year</b>	<u>\$ 34,809,916</u>	<u>\$ 683,241</u>	<u>\$ 35,493,157</u>
	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment and Similar Net Assets, Beginning of Year</b>	\$ 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)
<b>Endowment and Similar Net Assets, End of Year</b>	<u>\$ 29,395,339</u>	<u>\$ 487,346</u>	<u>\$ 29,882,685</u>

### Funds With Deficiencies

From time to time, certain donor restricted endowment funds may have fair values less than the amount required to be maintained by donors or law. There were no such deficiencies reported at December 31, 2019 or 2018.

# The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

## 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 31<sup>st</sup> 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 31<sup>st</sup> 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.

## 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 \$1,379,209 and \$1,072,159 as of December 31, 2019 and 2018, 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 4.21 percent and 5.71 percent, for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, the estimated fair value of the Foundation's beneficial interest in the trust is \$414,164 and \$368,468, 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 4.70 percent and 4.55 percent for the years ended December 31, 2019 and 2018, respectively.

## The American Anti-Vivisection Society

Notes to Consolidated Financial Statements  
December 31, 2019 and 2018

### 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, 2019 and 2018 respectively, the chimpanzees' ages range from eight to ten years and seven to nine years of age respectively, and have remaining life expectancies ranging from 50 to 52 years and 51 to 53 years, respectively. Annual expense inflation has been assumed at 2.0 percent and 2.1 percent and the estimated payments have been discounted at 3.41 percent and 4.50 percent, for the years December 31, 2019 and 2018, respectively. Remaining payments, prior to discounting, were \$3,427,287 and 3,301,450 at December 31, 2019 and 2018, respectively.

Future estimated grant payments are as follows as of December 31:

	<u>2019</u>	<u>2018</u>
Payable in less than one year	\$ 34,881	\$ 32,876
Payable in one to five years	146,750	138,555
Payable in over five years to 10 years	<u>3,245,656</u>	<u>3,130,019</u>
	3,427,287	3,301,450
Less discount on amounts payable over more than one year	<u>(2,070,425)</u>	<u>(2,286,209)</u>
Grant payable	<u>\$ 1,356,862</u>	<u>\$ 1,015,241</u>

The components of grant expense for the years ended December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Gross grant payments	\$ 296,500	\$ 310,500
Adjustment on present value of chimp haven liability	<u>373,818</u>	<u>(140,811)</u>
American Anti-Vivisection Society grant expense, net	670,318	169,689
Alternatives Research Development Foundation grants expense	<u>258,786</u>	<u>308,540</u>
Total grant expense, net	<u>\$ 929,104</u>	<u>\$ 478,229</u>

### 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. In addition, the Society also leases office equipment under the terms of two noncancelable agreements which expire during 2022.

Total rent expense for all operating leases for the years ended December 31, 2019 and 2018 was \$118,209 and \$138,322, respectively.

# The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2019 and 2018

Future minimum annual payments under all noncancelable operating leases are as follows at December 31, 2019:

	<u>Operating Leases</u>
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, 2019 and 2018 is \$33,957 and \$26,599, 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, 2019 and 2018 is \$24,291 and \$31,654, respectively.

## 14. Related Party Transactions

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

<u>Relationship to the Society and the Foundation</u>	<u>Transaction</u>	<u>2019</u>	<u>2018</u>
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	\$ 218,792	\$ 221,122
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	105,045	61,717
Member of the Board of Directors and also the President of the Society	Grant disbursed to the Global Federation of Animal Sanctuaries	10,000	16,500

## **The American Anti-Vivisection Society**

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Notes to Consolidated Financial Statements

December 31, 2019 and 2018

### **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 an effort, as well as, occupancy, telecommunications, printing and copying which are allocated based upon approximate square footage and patterns of use.

### **16. Subsequent Event**

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The Organizations' evaluation of the effects of these events on the fair value of their investments and operations is ongoing as of the date the accompanying financial statements were available to be issued. The extent of the impact on the Organizations will depend on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.



# The American Anti-Vivisection Society

Schedule I - Consolidating Statement of Financial Position

December 31, 2019

	<b>The American Anti-Vivisection Society</b>	<b>Alternatives Research and Development Foundation</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,066,207	\$ 628,995	\$ 2,695,202
Prepaid expenses	42,426	-	42,426
Receivables from estates and trusts	277,882	60,997	338,879
Due (to) from affiliate	6,013	(6,013)	-
Furniture and equipment, net of accumulated depreciation of \$529,857 and \$9,396	6,459	-	6,459
Long-term investments at fair value	24,755,355	10,737,802	35,493,157
Beneficial interests in perpetual trusts	1,379,209	414,164	1,793,373
	<u>\$ 28,533,551</u>	<u>\$ 11,835,945</u>	<u>\$ 40,369,496</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
Accounts payable	\$ 5,579	\$ 761	\$ 6,340
Accrued compensation and related items	50,582	-	50,582
Deferred dues revenue	129,001	-	129,001
Grants payable	1,356,862	-	1,356,862
Other	96,956	-	96,956
	<u>1,638,980</u>	<u>761</u>	<u>1,639,741</u>
<b>Net Assets</b>			
Without donor restrictions	24,832,121	10,977,780	35,809,901
With donor restriction	<u>2,062,450</u>	<u>857,404</u>	<u>2,919,854</u>
	<u>26,894,571</u>	<u>11,835,184</u>	<u>38,729,755</u>
	<u>\$ 28,533,551</u>	<u>\$ 11,835,945</u>	<u>\$ 40,369,496</u>

# The American Anti-Vivisection Society

Schedule II - Consolidating Statement of Financial Position

December 31, 2018

	<b>The American Anti-Vivisection Society</b>	<b>Alternatives Research and Development Foundation</b>	<b>Total</b>
<b>Assets</b>			
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 \$527,119 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
	<u>24,570,900</u>	<u>10,007,851</u>	<u>34,578,751</u>
Total assets	<u>\$ 24,570,900</u>	<u>\$ 10,007,851</u>	<u>\$ 34,578,751</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities</b>			
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
	<u>1,295,962</u>	<u>1,335</u>	<u>1,297,297</u>
Total liabilities	<u>1,295,962</u>	<u>1,335</u>	<u>1,297,297</u>
<b>Net Assets</b>			
Without donor restrictions	21,566,973	9,210,421	30,777,394
With donor restriction	1,707,965	796,095	2,504,060
	<u>23,274,938</u>	<u>10,006,516</u>	<u>33,281,454</u>
Total net assets	<u>23,274,938</u>	<u>10,006,516</u>	<u>33,281,454</u>
Total liabilities and net assets	<u>\$ 24,570,900</u>	<u>\$ 10,007,851</u>	<u>\$ 34,578,751</u>

## The American Anti-Vivisection Society

Schedule III - Consolidating Statement of Activities and Changes in Net Assets  
Year Ended December 31, 2019

	<b>The American Anti-Vivisection Society</b>	<b>Alternatives Research and Development Foundation</b>	<b>Total</b>
<b>Net Assets Without Donor Restrictions</b>			
<b>Revenue, Gains and Other Support</b>			
Bequests	\$ 592,362	\$ 60,000	\$ 652,362
Investment income from long-term investments, net of investment expenses of \$219,310 and \$104,527	278,382	39,153	317,535
Investment income from perpetual trusts	36,428	18,400	54,828
Dues	211,344	-	211,344
Contributions	487,072	26,042	513,114
Realized gains on long-term investments, net	476,785	632,105	1,108,890
Unrealized gains on long-term investments, net	3,270,913	1,362,606	4,633,519
Other income	227,002	-	227,002
	<u>5,580,288</u>	<u>2,138,306</u>	<u>7,718,594</u>
Net assets released from restrictions	<u>34,891</u>	<u>34,387</u>	<u>69,278</u>
Total revenue, gains and other support	<u>5,615,179</u>	<u>2,172,693</u>	<u>7,787,872</u>
<b>Expenses</b>			
Program services:			
Campaigns and outreach	1,539,924	-	1,539,924
Animalearn	226,092	-	226,092
Alternatives research	-	351,867	351,867
	<u>1,766,016</u>	<u>351,867</u>	<u>2,117,883</u>
Supporting services:			
General and administrative	271,361	45,416	316,777
Fundraising	312,654	8,051	320,705
	<u>584,015</u>	<u>53,467</u>	<u>637,482</u>
Total expenses	<u>2,350,031</u>	<u>405,334</u>	<u>2,755,365</u>
Increase in net assets without donor restrictions	<u>3,265,148</u>	<u>1,767,359</u>	<u>5,032,507</u>

## The American Anti-Vivisection Society

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

Year Ended December 31, 2019

	<b>The American Anti-Vivisection Society</b>	<b>Alternatives Research and Development Foundation</b>	<b>Total</b>
<b>Net Assets With Donor Restrictions</b>			
Investment income from long-term investments	\$ 11,730	\$ -	\$ 11,730
Investment income from perpetual trusts	15,175	-	15,175
Contributions	-	50,000	50,000
Realized gains on long-term investments, net	10,096	-	10,096
Unrealized gains on long-term investments, net	45,325	-	45,325
Unrealized gains on beneficial interests in perpetual trusts	307,050	45,696	352,746
Net assets released from restrictions	<u>(34,891)</u>	<u>(34,387)</u>	<u>(69,278)</u>
 Increase in net assets with donor restriction	 <u>354,485</u>	 <u>61,309</u>	 <u>415,794</u>
 Change in net assets	 3,619,633	 1,828,668	 5,448,301
<b>Net Assets, Beginning</b>	<u>23,274,938</u>	<u>10,006,516</u>	<u>33,281,454</u>
<b>Net Assets, Ending</b>	<u><u>\$ 26,894,571</u></u>	<u><u>\$ 11,835,184</u></u>	<u><u>\$ 38,729,755</u></u>

## The American Anti-Vivisection Society

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

	<b>The American Anti-Vivisection Society</b>	<b>Alternatives Research and Development Foundation</b>	<b>Total</b>
<b>Net Assets Without Donor Restrictions</b>			
<b>Revenue, (Losses) Gains and Other Support</b>			
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>
<b>Expenses</b>			
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 IV - Consolidating Statement of Activities and Changes in Net Assets

Year Ended December 31, 2018

	<b>The American Anti-Vivisection Society</b>	<b>Alternatives Research and Development Foundation</b>	<b>Total</b>
<b>Net Assets With Donor Restriction</b>			
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	(33,330)	(23,750)	(57,080)
	<u>(167,704)</u>	<u>(36,083)</u>	<u>(203,787)</u>
Decrease in net assets with donor restrictions			
	(1,702,097)	(606,338)	(2,308,435)
Change in net assets			
<b>Net Assets, Beginning</b>	<u>24,977,035</u>	<u>10,612,854</u>	<u>35,589,889</u>
<b>Net Assets, Ending</b>	<u><u>\$ 23,274,938</u></u>	<u><u>\$ 10,006,516</u></u>	<u><u>\$ 33,281,454</u></u>

**The American Anti-Vivisection Society**

Schedule V - Consolidating Statement of Functional Expenses  
 Year Ended December 31, 2019

	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	\$ 670,318	\$ 258,786	\$ 929,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 929,104
Contribution to Ryerss	25,113	-	25,113	-	-	-	-	-	-	25,113
Salaries	394,078	24,062	418,140	122,973	11,605	134,578	46,859	2,902	49,761	602,479
Employee benefits	99,830	7,953	107,783	30,898	3,428	34,326	11,794	848	12,642	154,751
Payroll taxes	32,902	354	33,256	10,284	1,012	11,296	3,919	253	4,172	48,724
Professional fees	2,096	22,390	24,486	76,161	28,521	104,682	161	2,880	3,041	132,209
Membership development	129	-	129	-	-	-	133,028	-	133,028	133,157
Office supplies	7,617	-	7,617	1,831	-	1,831	657	-	657	10,105
Telecommunications	26,393	214	26,607	680	70	750	1,960	-	1,960	29,317
Occupancy	84,805	14,035	98,840	9,423	523	9,946	9,423	-	9,423	118,209
Equipment rental and maintenance	37,563	-	37,563	14,495	-	14,495	5,730	-	5,730	57,788
Printing, publications and postage	155,115	212	155,327	178	91	269	61,496	-	61,496	217,092
Design	4,754	-	4,754	-	-	-	-	-	-	4,754
Travel	37,211	5,828	43,039	-	-	-	-	-	-	43,039
Conferences, conventions and meetings	31,965	1,379	33,344	-	-	-	-	-	-	33,344
Office expense and miscellaneous	2,313	-	2,313	3,887	166	4,053	11,497	1,168	12,665	19,031
Insurance	9,593	-	9,593	551	-	551	210	-	210	10,354
Advertising	22,817	1,474	24,291	-	-	-	-	-	-	24,291
Research and information services	1,893	11,782	13,675	-	-	-	-	-	-	13,675
Consultant fees	110,893	3,398	114,291	-	-	-	25,920	-	25,920	140,211
Public relations	-	-	-	-	-	-	-	-	-	-
Depreciation	2,738	-	2,738	-	-	-	-	-	-	2,738
Educational material	5,880	-	5,880	-	-	-	-	-	-	5,880
	<u>\$ 1,766,016</u>	<u>\$ 351,867</u>	<u>\$ 2,117,883</u>	<u>\$ 271,361</u>	<u>\$ 45,416</u>	<u>\$ 316,777</u>	<u>\$ 312,654</u>	<u>\$ 8,051</u>	<u>\$ 320,705</u>	<u>\$ 2,755,365</u>

**The American Anti-Vivisection Society**

Schedule VI - Consolidating Statement of Functional Expenses

Year Ended December 31, 2018

	<b>American Anti-Vivisection Society</b>	<b>Alternatives Research Development Foundation</b>	<b>Programs</b>	<b>American Anti-Vivisection Society</b>	<b>Alternatives Research Development Foundation</b>	<b>General and Administrative</b>	<b>American Anti-Vivisection Society</b>	<b>Alternatives Research Development Foundation</b>	<b>Fundraising</b>	<b>Total</b>
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 Statement of Cash Flows

Year Ended December 31, 2019

	<b>The American Anti-Vivisection Society</b>	<b>Alternatives Research and Development Foundation</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Change in net assets	\$ 3,619,633	\$ 1,828,668	\$ 5,448,301
Adjustments to reconcile changes in net assets to net cash used in operating activities:			
Depreciation	2,738	-	2,738
Realized gain on long-term investments, net	(486,881)	(632,105)	(1,118,986)
Unrealized gains on long-term investments, net	(3,316,238)	(1,362,606)	(4,678,844)
Unrealized net gains on beneficial interest in perpetual trusts	(307,050)	(45,696)	(352,746)
(Increase) decrease in assets:			
Prepaid expenses	1,352	-	1,352
Receivables from estates and trusts	(51,483)	(60,997)	(112,480)
Inventory	5,880	-	5,880
Increase (decrease) in liabilities:			
Accounts payable	(10,901)	(574)	(11,475)
Accrued compensation and related items	9,630	-	9,630
Due to (from) affiliate	(24,818)	24,818	-
Deferred dues revenue	701	-	701
Grants payable	341,621	-	341,621
Other	1,967	-	1,967
Net cash used in operating activities	<u>(213,849)</u>	<u>(248,492)</u>	<u>(462,341)</u>
<b>Cash Flows From Investing Activities</b>			
Purchases of furniture and equipment	(3,811)	-	(3,811)
Purchases of long-term investments	(7,405,642)	(1,930,446)	(9,336,088)
Proceeds from sales and maturities of long-term investments	<u>7,261,781</u>	<u>2,261,665</u>	<u>9,523,446</u>
Net cash (used in) provided by investing activities	<u>(147,672)</u>	<u>331,219</u>	<u>183,547</u>
Net (decrease) increase in cash and cash equivalents	(361,521)	82,727	(278,794)
<b>Cash and Cash Equivalents, Beginning</b>	<u>2,427,728</u>	<u>546,268</u>	<u>2,973,996</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 2,066,207</u>	<u>\$ 628,995</u>	<u>\$ 2,695,202</u>

**The American Anti-Vivisection Society**

## Schedule VIII - Consolidating Statement of Cash Flows

Year Ended December 31, 2018

	<b>The American Anti-Vivisection Society</b>	<b>Alternatives Research and Development Foundation</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
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 gains on long-term investments, net	(762,594)	(742,847)	(1,505,441)
Unrealized losses on long-term investments, net	2,070,789	948,098	3,018,887
Unrealized net losses 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>
<b>Cash Flows From Investing Activities</b>			
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	5,255,369	1,987,875	7,243,244
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
<b>Cash and Cash Equivalents, Beginning</b>	<u>2,026,742</u>	<u>618,003</u>	<u>2,644,745</u>
<b>Cash and Cash Equivalents, Ending</b>	<u>\$ 2,427,728</u>	<u>\$ 546,268</u>	<u>\$ 2,973,996</u>