

The American Anti-Vivisection Society

Consolidated Financial Statements
and Supplementary Information

December 31, 2020 and 2019

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 not-for-profit organization) and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 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 Consolidated 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 auditor's 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, 2020 and 2019, 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 to 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 US, LLP

Philadelphia, Pennsylvania
March 29, 2021

The American Anti-Vivisection Society

Consolidated Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 2,308,461	\$ 2,695,202
Prepaid expenses	85,722	42,426
Receivables from estates and trusts	379,016	338,879
Furniture and equipment, net of accumulated depreciation of \$542,173 and \$539,253	12,473	6,459
Long-term investments at fair value	41,346,312	35,493,157
Beneficial interests in perpetual trusts	<u>1,818,040</u>	<u>1,793,373</u>
Total assets	<u>\$ 45,950,024</u>	<u>\$ 40,369,496</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 50,378	\$ 6,340
Accrued compensation and related items	40,935	50,582
Deferred dues revenue	105,118	129,001
Grants payable	1,619,812	1,356,862
Gift annuities payable	<u>71,741</u>	<u>96,956</u>
Total liabilities	<u>1,887,984</u>	<u>1,639,741</u>
Net Assets		
Without donor restrictions	41,086,627	35,809,901
With donor restriction	<u>2,975,413</u>	<u>2,919,854</u>
Total net assets	<u>44,062,040</u>	<u>38,729,755</u>
Total liabilities and net assets	<u>\$ 45,950,024</u>	<u>\$ 40,369,496</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Net Assets Without Donor Restrictions		
Revenue, Gains and Other Support		
Bequests	\$ 720,153	\$ 652,362
Investment income from long-term investments, net of investment expenses of \$364,690 and \$323,837	229,927	317,535
Investment income from perpetual trusts	93,993	54,828
Dues	226,653	211,344
Contributions	443,935	513,114
Government grants	147,000	-
Realized gains on long-term investments, net	1,302,920	1,108,890
Unrealized gains on long-term investments, net	4,319,924	4,633,519
Other income	258,863	227,002
	<u>7,743,368</u>	<u>7,718,594</u>
Net assets released from restrictions	<u>68,767</u>	<u>69,278</u>
Total revenue, gains and other support	<u>7,812,135</u>	<u>7,787,872</u>
Expenses		
Program services:		
Campaigns and outreach	1,348,897	1,539,924
Animalearn	204,263	226,092
Alternatives research	372,448	351,867
	<u>1,925,608</u>	<u>2,117,883</u>
Supporting services:		
General and administrative	281,925	316,777
Fundraising	327,876	320,705
	<u>609,801</u>	<u>637,482</u>
Total expenses	<u>2,535,409</u>	<u>2,755,365</u>
Increase in net assets without donor restrictions	<u>5,276,726</u>	<u>5,032,507</u>
Net Assets With Donor Restrictions		
Investment income from long-term investments	14,857	11,730
Investment income from perpetual trusts	15,350	15,175
Contributions	50,000	50,000
Realized gains on long-term investments, net	14,015	10,096
Unrealized gains on long-term investments, net	5,437	45,325
Unrealized gains on beneficial interests in perpetual trusts	24,667	352,746
Net assets released from restrictions	(68,767)	(69,278)
	<u>55,559</u>	<u>415,794</u>
Increase in net assets with donor restrictions	<u>55,559</u>	<u>415,794</u>
Change in net assets	5,332,285	5,448,301
Net Assets, Beginning	<u>38,729,755</u>	<u>33,281,454</u>
Net Assets, Ending	<u>\$ 44,062,040</u>	<u>\$ 38,729,755</u>

See notes to consolidated financial statements

The American Anti-Vivisection Society

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020 (Summarized Totals for the Year Ended December 31, 2019)

	2020			2019	
	Programs	General and Administrative	Fundraising	Total	Total
Grants	\$ 949,556	\$ -	\$ -	\$ 949,556	\$ 929,104
Contribution for the direct benefit of animals	26,324	-	-	26,324	25,113
Salaries	420,253	108,352	93,404	622,009	602,479
Employee benefits	89,889	25,955	19,708	135,552	154,751
Payroll taxes	32,450	8,828	7,595	48,873	48,724
Professional fees	20,401	99,197	384	119,982	132,209
Membership development	50	-	123,107	123,157	133,157
Office supplies	3,606	1,125	1,795	6,526	10,105
Telecommunications	27,328	604	1,106	29,038	29,317
Occupancy	96,099	17,651	13,665	127,415	118,209
Equipment rental and maintenance	29,012	4,100	20,948	54,060	57,788
Printing, publications and postage	100,956	166	37,068	138,190	217,092
Design	318	-	-	318	4,754
Travel	2,291	-	-	2,291	43,039
Conferences, conventions and meetings	33,326	-	-	33,326	33,344
Office expense and miscellaneous	5,850	4,811	8,552	19,213	19,031
Insurance	9,631	388	345	10,364	10,354
Advertising	16,184	-	-	16,184	24,291
Research and information services	2,419	-	-	2,419	13,675
Consultant fees	51,745	-	-	51,745	140,211
Public relations	5,000	-	-	5,000	-
Bad debt expense	-	10,377	-	10,377	-
Depreciation	2,920	-	-	2,920	2,738
Educational material	-	371	199	570	5,880
	<u>\$ 1,925,608</u>	<u>\$ 281,925</u>	<u>\$ 327,876</u>	<u>\$ 2,535,409</u>	<u>\$ 2,755,365</u>

See notes to consolidated financial statements

The American Anti-Vivisection Society

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$ 929,104	\$ -	\$ -	\$ 929,104
Contribution for the direct benefit of animals	25,113	-	-	25,113
Salaries	418,140	134,578	49,761	602,479
Employee benefits	107,783	34,326	12,642	154,751
Payroll taxes	33,256	11,296	4,172	48,724
Professional fees	24,486	104,682	3,041	132,209
Membership development	129	-	133,028	133,157
Office supplies	7,617	1,831	657	10,105
Telecommunications	26,607	750	1,960	29,317
Occupancy	98,840	9,946	9,423	118,209
Equipment rental and maintenance	37,563	14,495	5,730	57,788
Printing, publications and postage	155,327	269	61,496	217,092
Design	4,754	-	-	4,754
Travel	43,039	-	-	43,039
Conferences, conventions and meetings	33,344	-	-	33,344
Office expense and miscellaneous	2,313	4,053	12,665	19,031
Insurance	9,593	551	210	10,354
Advertising	24,291	-	-	24,291
Research and information services	13,675	-	-	13,675
Consultant fees	114,291	-	25,920	140,211
Depreciation	2,738	-	-	2,738
Educational material	5,880	-	-	5,880
	<u>\$ 2,117,883</u>	<u>\$ 316,777</u>	<u>\$ 320,705</u>	<u>\$ 2,755,365</u>

See notes to consolidated financial statements

The American Anti-Vivisection Society

Consolidated Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 5,332,285	\$ 5,448,301
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	2,920	2,738
Realized gains on long-term investments, net	(1,316,935)	(1,118,986)
Unrealized gains on long-term investments, net	(4,325,361)	(4,678,844)
Unrealized gains on beneficial interests in perpetual trusts	(24,667)	(352,746)
(Increase) decrease in assets:		
Prepaid expenses	(43,296)	1,352
Receivables from estates and trusts	(40,137)	(112,480)
Inventory	-	5,880
Increase (decrease) in liabilities:		
Accounts payable	44,038	(11,475)
Accrued compensation and related items	(9,647)	9,630
Deferred dues revenue	(23,883)	701
Grants payable	262,950	341,621
Gift annuities payable	(25,215)	1,967
Net cash used in operating activities	<u>(166,948)</u>	<u>(462,341)</u>
Cash Flows From Investing Activities		
Purchases of furniture and equipment	(8,933)	(3,811)
Purchases of long-term investments	(6,692,767)	(9,336,088)
Proceeds from sales and maturities of long-term investments	<u>6,481,907</u>	<u>9,523,446</u>
Net cash (used in) provided by investing activities	<u>(219,793)</u>	<u>183,547</u>
Net decrease in cash and cash equivalents	(386,741)	(278,794)
Cash and Cash Equivalents, Beginning	<u>2,695,202</u>	<u>2,973,996</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,308,461</u>	<u>\$ 2,695,202</u>

See notes to consolidated financial statements

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

1. Nature of Organization

The American Anti-Vivisection Society (Society) is a not-for-profit 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 not-for-profit 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 consolidated 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' consolidated 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 consolidated statement of financial position; reports the change in net assets in a consolidated statement of activities and changes in net assets; and reports the sources and uses of cash and cash equivalents in a consolidated statement of cash flows.

Net Assets

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.

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

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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, 2020 and 2019

Deferred Dues Revenue

The following table depicts activities for deferred dues revenue.

	Balance, December 31, 2019	Refunds Issued	Revenue Recognized Included in December 31, 2019 Balance	Cash Received in Advance of Performance	Balance, December 31, 2020
Deferred dues revenue	\$ 129,001	\$ -	\$ 129,001	\$ 105,118	\$ 105,118

The balance of deferred dues revenue at December 31, 2020, less any refunds issued, will be recognized as revenue in 2021.

The Organizations apply 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.

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.

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 consolidated statements 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.

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 Organizations are recorded when the amount of refund due becomes known, normally when a final accounting by the grantee is submitted.

Income Taxes

The Organizations 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 2020, 2019 and 2018 are subject to examination by the Internal Revenue Service, generally for three years after the date the return was filed.

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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 their long-term investments.

Concentrations of Credit Risk

The Organizations' principal financial instruments subject to credit risk are their 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

During August 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 modifies the disclosure requirements for fair value measurements in Topic 820, *Fair Value Measurement*. The amendments are based on concepts in the FASB's Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, which the Board finalized on August 28, 2018. The Organizations' adopted the new standard effective January 1, 2020.

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 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, 2019. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2021. 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.

During September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. The Organizations are currently assessing the effect that ASU No. 2020-07 will have on their consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events through March 29, 2021 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, 2020 and 2019

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, 2020 and 2019

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 and are measured at fair value on a recurring basis 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, 2020 and 2019 are as follows:

Description	2020			
	Total	Level 1	Level 2	Level 3
Cash equivalents	\$ 3,731,054	\$ 3,731,054	\$ -	\$ -
U.S. equities	26,715,032	26,715,032	-	-
International equities	748,276	748,276	-	-
Mutual funds, equity	926,555	926,555	-	-
Mutual funds, fixed income	318,545	318,545	-	-
U.S. corporate debentures	6,743,532	-	6,743,532	-
U.S. Treasury securities and bonds of government sponsored enterprises	2,163,318	-	2,163,318	-
Other	-	-	-	-
Total investments	41,346,312	32,439,462	8,906,850	-
Beneficial interests in perpetual trusts	1,818,040	-	-	1,818,040
Total	\$ 43,164,352	\$ 32,439,462	\$ 8,906,850	\$ 1,818,040

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

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:

	2020	2019
Without donor restriction	\$ 40,653,429	\$ 34,809,916
With donor restrictions	692,883	683,241
	\$ 41,346,312	\$ 35,493,157

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

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	\$ 3,731,054	\$ 3,731,054	\$ 3,050,284	\$ 3,050,284
U.S. equities	17,114,292	26,715,032	16,436,461	22,195,295
International equities	1,255,909	748,276	1,333,036	692,695
Mutual funds, equity	762,634	926,555	695,863	777,982
Mutual funds, fixed income	326,082	318,545	250,676	251,144
U.S. corporate debentures	6,253,658	6,743,532	6,113,184	6,359,832
U.S. Treasury securities and bonds of government sponsored enterprises	2,082,044	2,163,318	2,114,577	2,160,881
Other	-	-	3,798	5,044
	\$ 31,525,673	\$ 41,346,312	\$ 29,997,879	\$ 35,493,157

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

	<u>Fair Value</u>	<u>Cost</u>	<u>Excess (Deficiency) of Fair Value Over Cost</u>
Long-term investments, 2020	\$ 41,346,312	\$ 31,525,673	\$ 9,820,639
Long-term investments, 2019	35,493,157	29,997,879	5,495,278
Unrealized gains, net			4,325,361
Realized gains, net			1,316,935
Total investment gains, net			<u>\$ 5,642,296</u>

The average annual yield based on the fair value of cash equivalents and long-term investments (net of investment expenses) was approximately 0.6 percent and 1.0 percent, and the annual total return, including realized and unrealized gains and losses was approximately 15.3 percent and 18.7 percent, for the years ended December 31, 2020 and 2019, respectively.

6. Net Assets

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

	<u>2020</u>	<u>2019</u>
Society:		
Undesignated	\$ 159,591	\$ 760,007
Funds held for long-term investment (endowment)	27,979,140	24,072,114
	<u>28,138,731</u>	<u>24,832,121</u>
Foundation:		
Undesignated	273,607	239,978
Funds held for long-term investment (endowment)	12,674,289	10,737,802
	<u>12,947,896</u>	<u>10,977,780</u>
Total	<u>\$ 41,086,627</u>	<u>\$ 35,809,901</u>

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

	<u>2020</u>	<u>2019</u>
Society:		
Direct benefit of animals	\$ 169,610	\$ 162,699
Undesignated activities of the Society	1,896,161	1,899,751
	<u>2,065,771</u>	<u>2,062,450</u>
Foundation:		
Alternatives award programs	464,490	443,240
Beneficial interest in perpetual trust	445,152	414,164
	<u>909,642</u>	<u>857,404</u>
Total	<u>\$ 2,975,413</u>	<u>\$ 2,919,854</u>

Net assets with donor restrictions in the amounts of \$68,767 and \$69,278 were released from donor restrictions by incurring expenses satisfying the restricted purposes during 2020 and 2019, respectively.

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment and Similar Net Assets, Beginning of Year	\$ 34,809,916	\$ 683,241	\$ 35,493,157
Investment return:			
Investment income, net of expenses	214,577	30,207	244,784
Investment gains, net	5,622,844	19,452	5,642,296
Total investment return	5,837,421	49,659	5,887,080
Contributions invested	1,211,638	-	1,211,638
Transfers for restricted purposes	-	(26,324)	(26,324)
Appropriation of expenditures, spending rate	(1,205,546)	(13,693)	(1,219,239)
Endowment and Similar Net Assets, End of Year	\$ 40,653,429	\$ 692,883	\$ 41,346,312

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment and Similar Net Assets, Beginning of Year	\$ 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)
Endowment and Similar Net Assets, End of Year	<u>\$ 34,809,916</u>	<u>\$ 683,241</u>	<u>\$ 35,493,157</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, 2020 or 2019.

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 their 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 meet or exceed the performance of the S&P 500 index, 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 as of December 31, 2020 and 2019, 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 as of December 31, 2020 and 2019, 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 4 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, 2020 and 2019

8. Beneficial Interests in 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 \$1,372,888 and \$1,379,209 as of December 31, 2020 and 2019, 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 6.60 percent and 4.21 percent for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the estimated fair value of the Foundation's beneficial interest in the trust is \$445,152 and \$414,164, 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 4.31 percent and 4.70 percent for the years ended December 31, 2020 and 2019, respectively.

9. Grants Payable

During 2013, the Society made a grant to another not-for-profit organization. The grant represents a portion of the expenses to care for seven chimpanzees for the remainder of their lifetimes. As of December 31, 2020 and 2019, 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 1.9 percent and 2.0 percent and the estimated payments have been discounted at 2.73 percent and 3.41 percent, for the years December 31, 2020 and 2019, respectively. In 2020, the Society made a grant to another not-for-profit organization in the amount \$76,350 payable over three years.

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

	<u>2020</u>	<u>2019</u>
Payable in less than one year	\$ 67,759	\$ 34,881
Payable in one to five years	201,893	146,750
Payable in over five years to ten years	<u>2,909,132</u>	<u>3,245,656</u>
	3,178,784	3,427,287
Less discount on amounts payable over more than one year	<u>(1,558,972)</u>	<u>(2,070,425)</u>
Grant payable	<u>\$ 1,619,812</u>	<u>\$ 1,356,862</u>

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

	<u>2020</u>	<u>2019</u>
Gross grant payments	\$ 418,329	\$ 296,500
Adjustment on present value of Chimp Haven liability	<u>224,623</u>	<u>373,818</u>
American Anti-Vivisection Society grant expense, net	642,952	670,318
Alternatives Research Development Foundation grants expense	<u>306,604</u>	<u>258,786</u>
Total grant expense, net	<u>\$ 949,556</u>	<u>\$ 929,104</u>

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

10. Paycheck Protection Program

On May 5, 2020, the Society received loan proceeds in the amount of \$147,000 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a covered period (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities.

The Society met the PPP's loan forgiveness requirements and, therefore, applied for forgiveness during December 2020. Legal release was received as of December 31, 2020, therefore, the Society recorded forgiveness income of \$147,000 as Government grants within their consolidated statement of activities and changes in net assets for the year ended December 31, 2020.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

11. Leases

The Society leases its office space under the terms of a noncancelable agreement classified as an operating lease which expires July 31, 2021. The Foundation also leases its office space under the terms of a noncancelable 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, 2020 and 2019 was \$127,415 and \$118,209, respectively.

Future minimum annual payments under all noncancelable operating leases are as follows at December 31, 2020:

	Operating Leases
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 nonelective 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 employees' SIMPLE 401(k) accounts for the years ended December 31, 2020 and 2019 is \$37,227 and \$33,957, respectively.

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

The American Anti-Vivisection Society

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

13. Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2020 and 2019 is \$16,184 and \$24,291, respectively.

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	2020	2019
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	\$ 240,628	\$ 218,792
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	124,062	105,045
Member of the Board of Directors and also the President of the Society	Grant disbursed to the Global Federation of Animal Sanctuaries	10,000	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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

16. Liquidity and Availability

The following table reflects the Organizations' financial assets as of December 31, 2020 and 2019, reduced by donor-restricted amounts not available for general expenditures within one year.

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 2,308,461	\$ 2,695,202
Receivable from estates and trusts	379,016	338,879
Less amounts unavailable for general expenditures within one year:		
Donor restriction for specified purposes	<u>(464,490)</u>	<u>(443,240)</u>
Total	<u>\$ 2,222,987</u>	<u>\$ 2,590,841</u>

As of December 31, 2020 and 2019, the Organizations held liquid assets on hand to cover their operating expenses for 317 and 344 days, respectively. The Organizations' practice is to structure their financial assets to be available as their general expenditures, liabilities and other obligations come due. The Organizations' long-term investments consist of quasi-endowment funds of \$40,653,429 and \$34,809,916 as of December 31, 2020 and 2019, respectively. As described in Note 8, the quasi-endowment has a spending rate of up to 5 percent. Approximately \$1,480,000 of appropriations from the quasi-endowment will be available within the next 12 months. In the event of an emergency or other financial need, the Board, at its discretion, could expend the quasi-endowed funds.

The American Anti-Vivisection Society

Schedule I - Consolidating Statement of Financial Position

December 31, 2020

	<u>The American Anti-Vivisection Society</u>	<u>Alternatives Research and Development Foundation</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,528,302	\$ 780,159	\$ 2,308,461
Prepaid expenses	82,404	3,318	85,722
Receivables from estates and trusts	379,016	-	379,016
Due from (to) affiliate	6,117	(6,117)	-
Furniture and equipment, net of accumulated depreciation of \$532,777 and \$9,396	12,473	-	12,473
Long-term investments at fair value	28,672,023	12,674,289	41,346,312
Beneficial interests in perpetual trusts	1,372,888	445,152	1,818,040
	<u>\$ 32,053,223</u>	<u>\$ 13,896,801</u>	<u>\$ 45,950,024</u>
Liabilities and Net Assets			
Liabilities			
Accounts payable	\$ 11,115	\$ 39,263	\$ 50,378
Accrued compensation and related items	40,935	-	40,935
Deferred dues revenue	105,118	-	105,118
Grants payable	1,619,812	-	1,619,812
Gift annuities payable	71,741	-	71,741
	<u>1,848,721</u>	<u>39,263</u>	<u>1,887,984</u>
Net Assets			
Without donor restrictions	28,138,731	12,947,896	41,086,627
With donor restriction	2,065,771	909,642	2,975,413
	<u>30,204,502</u>	<u>13,857,538</u>	<u>44,062,040</u>
	<u>\$ 32,053,223</u>	<u>\$ 13,896,801</u>	<u>\$ 45,950,024</u>

The American Anti-Vivisection Society

Schedule II - Consolidating Statement of Financial Position

December 31, 2019

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Assets			
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 from (to) 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>
Total assets	<u>\$ 28,533,551</u>	<u>\$ 11,835,945</u>	<u>\$ 40,369,496</u>
Liabilities and Net Assets			
Liabilities			
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
Gift annuities payable	96,956	-	96,956
	<u>1,638,980</u>	<u>761</u>	<u>1,639,741</u>
Total liabilities	<u>1,638,980</u>	<u>761</u>	<u>1,639,741</u>
Net Assets			
Without donor restrictions	24,832,121	10,977,780	35,809,901
With donor restriction	2,062,450	857,404	2,919,854
	<u>26,894,571</u>	<u>11,835,184</u>	<u>38,729,755</u>
Total net assets	<u>26,894,571</u>	<u>11,835,184</u>	<u>38,729,755</u>
Total liabilities and net assets	<u>\$ 28,533,551</u>	<u>\$ 11,835,945</u>	<u>\$ 40,369,496</u>

The American Anti-Vivisection Society

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

Year Ended December 31, 2020

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Net Assets Without Donor Restrictions			
Revenue, Gains and Other Support			
Bequests	\$ 720,153	\$ -	\$ 720,153
Investment income from long-term investments, net of investment expenses of \$250,863 and \$113,827	220,357	9,570	229,927
Investment income from perpetual trusts	75,493	18,500	93,993
Dues	226,653	-	226,653
Contributions	419,437	24,498	443,935
Government grants	147,000	-	147,000
Realized gains on long-term investments, net	575,304	727,616	1,302,920
Unrealized gains on long-term investments, net	2,745,527	1,574,397	4,319,924
Other income	258,863	-	258,863
	<u>5,388,787</u>	<u>2,354,581</u>	<u>7,743,368</u>
Net assets released from restrictions	<u>40,017</u>	<u>28,750</u>	<u>68,767</u>
Total revenue, gains and other support	<u>5,428,804</u>	<u>2,383,331</u>	<u>7,812,135</u>
Expenses			
Program services:			
Campaigns and outreach	1,348,897	-	1,348,897
Animalearn	204,263	-	204,263
Alternatives research	-	372,448	372,448
	<u>1,553,160</u>	<u>372,448</u>	<u>1,925,608</u>
Supporting services:			
General and administrative	245,197	36,728	281,925
Fundraising	323,837	4,039	327,876
	<u>569,034</u>	<u>40,767</u>	<u>609,801</u>
Total expenses	<u>2,122,194</u>	<u>413,215</u>	<u>2,535,409</u>
Increase in net assets without donor restrictions	<u>3,306,610</u>	<u>1,970,116</u>	<u>5,276,726</u>

The American Anti-Vivisection Society

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

Year Ended December 31, 2020

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Net Assets With Donor Restrictions			
Investment income from long-term investments	\$ 14,857	\$ -	\$ 14,857
Investment income from perpetual trusts	15,350	-	15,350
Contributions	-	50,000	50,000
Realized gains on long-term investments, net	14,015	-	14,015
Unrealized gains on long-term investments, net	5,437	-	5,437
Unrealized (losses) gains on beneficial interests in perpetual trusts	(6,321)	30,988	24,667
Net assets released from restrictions	<u>(40,017)</u>	<u>(28,750)</u>	<u>(68,767)</u>
 Increase in net assets with donor restriction	 <u>3,321</u>	 <u>52,238</u>	 <u>55,559</u>
 Change in net assets	 3,309,931	 2,022,354	 5,332,285
Net Assets, Beginning	<u>26,894,571</u>	<u>11,835,184</u>	<u>38,729,755</u>
Net Assets, Ending	<u><u>\$ 30,204,502</u></u>	<u><u>\$ 13,857,538</u></u>	<u><u>\$ 44,062,040</u></u>

The American Anti-Vivisection Society

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

Year Ended December 31, 2019

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

Year Ended December 31, 2019

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Net Assets With Donor Restriction			
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 restrictions	<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
Net Assets, Beginning	<u>23,274,938</u>	<u>10,006,516</u>	<u>33,281,454</u>
Net Assets, Ending	<u>\$ 26,894,571</u>	<u>\$ 11,835,184</u>	<u>\$ 38,729,755</u>

The American Anti-Vivisection Society

Schedule V - Consolidating Statement of Functional Expenses
Year Ended December 31, 2020

	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	\$ 642,952	\$ 306,604	\$ 949,556	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 949,556
Contribution for the direct benefit of animals	26,324	-	26,324	-	-	-	-	-	-	26,324
Salaries	396,413	23,840	420,253	100,675	7,677	108,352	91,254	2,150	93,404	622,009
Employee benefits	87,522	2,367	89,889	22,843	3,112	25,955	18,850	858	19,708	135,552
Payroll taxes	32,187	263	32,450	8,171	657	8,828	7,420	175	7,595	48,873
Professional fees	212	20,189	20,401	74,846	24,351	99,197	384	-	384	119,982
Membership development	50	-	50	-	-	-	123,107	-	123,107	123,157
Office supplies	3,606	-	3,606	1,125	-	1,125	1,795	-	1,795	6,526
Telecommunications	27,270	58	27,328	545	59	604	1,106	-	1,106	29,038
Occupancy	80,853	15,246	96,099	17,082	569	17,651	13,665	-	13,665	127,415
Equipment rental and maintenance	29,012	-	29,012	4,100	-	4,100	20,948	-	20,948	54,060
Printing, publications and postage	100,874	82	100,956	84	82	166	37,068	-	37,068	138,190
Design	318	-	318	-	-	-	-	-	-	318
Travel	2,291	-	2,291	-	-	-	-	-	-	2,291
Conferences, conventions and meetings	33,251	75	33,326	-	-	-	-	-	-	33,326
Office expense and miscellaneous	5,850	-	5,850	4,590	221	4,811	7,696	856	8,552	19,213
Insurance	9,631	-	9,631	388	-	388	345	-	345	10,364
Advertising	14,819	1,365	16,184	-	-	-	-	-	-	16,184
Research and information services	60	2,359	2,419	-	-	-	-	-	-	2,419
Consultant fees	51,745	-	51,745	-	-	-	-	-	-	51,745
Public relations	5,000	-	5,000	-	-	-	-	-	-	5,000
Bad debt expense	-	-	-	10,377	-	10,377	-	-	-	10,377
Depreciation	2,920	-	2,920	-	-	-	-	-	-	2,920
Educational material	-	-	-	371	-	371	199	-	199	570
	<u>\$ 1,553,160</u>	<u>\$ 372,448</u>	<u>\$ 1,925,608</u>	<u>\$ 245,197</u>	<u>\$ 36,728</u>	<u>\$ 281,925</u>	<u>\$ 323,837</u>	<u>\$ 4,039</u>	<u>\$ 327,876</u>	<u>\$ 2,535,409</u>

The American Anti-Vivisection Society

Schedule VI - 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 for the direct benefit of animals	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
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 VII - Consolidating Statement of Cash Flows

Year Ended December 31, 2020

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Cash Flows From Operating Activities			
Change in net assets	\$ 3,309,931	\$ 2,022,354	\$ 5,332,285
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:			
Depreciation	2,920	-	2,920
Realized gain on long-term investments, net	(589,319)	(727,616)	(1,316,935)
Unrealized gains on long-term investments, net	(2,750,964)	(1,574,397)	(4,325,361)
Unrealized net losses (gains) on beneficial interest in perpetual trusts	6,321	(30,988)	(24,667)
(Increase) decrease in assets:			
Prepaid expenses	(39,978)	(3,318)	(43,296)
Receivables from estates and trusts	(101,134)	60,997	(40,137)
Increase (decrease) in liabilities:			
Accounts payable	5,536	38,502	44,038
Accrued compensation and related items	(9,647)	-	(9,647)
Due (from) to affiliate	(104)	104	-
Deferred dues revenue	(23,883)	-	(23,883)
Grants payable	262,950	-	262,950
Gift annuities payable	(25,215)	-	(25,215)
 Net cash provided by (used in) operating activities	 <u>47,414</u>	 <u>(214,362)</u>	 <u>(166,948)</u>
Cash Flows From Investing Activities			
Purchases of furniture and equipment	(8,933)	-	(8,933)
Purchases of long-term investments	(4,289,596)	(2,403,171)	(6,692,767)
Proceeds from sales and maturities of long-term investments	3,713,210	2,768,697	6,481,907
 Net cash (used in) provided by investing activities	 <u>(585,319)</u>	 <u>365,526</u>	 <u>(219,793)</u>
 Net (decrease) increase in cash and cash equivalents	 <u>(537,905)</u>	 <u>151,164</u>	 <u>(386,741)</u>
Cash and Cash Equivalents, Beginning	<u>2,066,207</u>	<u>628,995</u>	<u>2,695,202</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,528,302</u>	<u>\$ 780,159</u>	<u>\$ 2,308,461</u>

The American Anti-Vivisection Society

Schedule VIII - Consolidating Statement of Cash Flows

Year Ended December 31, 2019

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Cash Flows From Operating Activities			
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 gains 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 (from) to affiliate	(24,818)	24,818	-
Deferred dues revenue	701	-	701
Grants payable	341,621	-	341,621
Gift annuities payable	1,967	-	1,967
Net cash used in operating activities	<u>(213,849)</u>	<u>(248,492)</u>	<u>(462,341)</u>
Cash Flows From Investing Activities			
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	7,261,781	2,261,665	9,523,446
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)
Cash and Cash Equivalents, Beginning	<u>2,427,728</u>	<u>546,268</u>	<u>2,973,996</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,066,207</u>	<u>\$ 628,995</u>	<u>\$ 2,695,202</u>