

**THE AMERICAN ANTI-VIVISECTION
SOCIETY**
Consolidated Financial Report
December 31, 2022 and 2021

THE AMERICAN ANTI-VIVISECTION SOCIETY
December 31, 2022 and 2021

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Independent Auditors' Report

To the Board of Managers
The American Anti-Vivisection Society
Jenkintown, Pennsylvania

Opinion

We have audited the consolidated financial statements of The American Anti-Vivisection Society and its subsidiary, Alternatives Research and Development Foundation (the Organizations), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organizations as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are required to be independent of the Organizations and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements and supplementary information of the Organizations for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements and supplementary information on April 8, 2022.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organizations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2022 consolidating information on pages 30 through 39 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is 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 consolidating 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 consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

DunlapSLK, PC

Chalfont, Pennsylvania
April 10, 2023

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and Cash Equivalents	\$ 3,026,005	\$ 2,815,055
Estates and Trusts Receivable	377,809	504,249
Prepaid Expenses	69,146	76,618
Property and Equipment, Net	39,539	24,523
Right of Use Assets, Operating Leases	219,676	336,575
Long-Term Investments	36,197,346	45,546,808
Beneficial Interest in Perpetual Trusts	1,751,455	2,101,003
Total Assets	\$ 41,680,976	\$ 51,404,831
 Liabilities and Net Assets		
Liabilities		
Accounts Payable	\$ 23,583	\$ 47,662
Accrued Compensation and Related Items	35,700	34,935
Deferred Dues Revenue	125,357	141,807
Lease Obligations	219,676	336,575
Grants Payable	1,345,598	1,436,346
Gift Annuities Payable	52,442	64,084
Total Liabilities	1,802,356	2,061,409
 Net Assets		
Without Donor Restrictions	36,952,841	46,019,578
With Donor Restrictions	2,925,779	3,323,844
Total Net Assets	39,878,620	49,343,422
Total Liabilities and Net Assets	\$ 41,680,976	\$ 51,404,831

See notes to financial statements.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Bequests	\$ 829,823	\$ -	\$ 829,823
Contributions and Grants	350,550	146,190	496,740
Income from Long-Term Investments	245,251	-	245,251
Investment Income from Perpetual Trusts	69,618	18,400	88,018
Dues	206,484	-	206,484
Gains (Losses) on Long-Term Investments	(8,582,166)	(76,582)	(8,658,748)
Gains (Losses) on Beneficial Interests In Perpetual Trusts	-	(349,548)	(349,548)
Other Income	194,306	-	194,306
Net Assets Released from Donor Restrictions			
Satisfaction of Purpose Restrictions	136,525	(136,525)	-
Total Revenues and Support	<u>(6,549,609)</u>	<u>(398,065)</u>	<u>(6,947,674)</u>
Expenses			
Program Services			
Campaigns and Outreach	801,670	-	801,670
Animalearn	236,733	-	236,733
Leaping Bunny	385,412	-	385,412
Alternatives Research	418,113	-	418,113
Total Program Services	<u>1,841,928</u>	<u>-</u>	<u>1,841,928</u>
Support Services			
General and Administrative	285,429	-	285,429
Fundraising	389,771	-	389,771
Total Support Services	<u>675,200</u>	<u>-</u>	<u>675,200</u>
Total Expenses	<u>2,517,128</u>	<u>-</u>	<u>2,517,128</u>
Change in Net Assets	(9,066,737)	(398,065)	(9,464,802)
Net Assets			
Beginning of Year	<u>46,019,578</u>	<u>3,323,844</u>	<u>49,343,422</u>
End of Year	<u>\$ 36,952,841</u>	<u>\$ 2,925,779</u>	<u>\$ 39,878,620</u>

See notes to financial statements.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Bequests	\$ 705,682	\$ -	\$ 705,682
Contributions and Grants	538,553	50,000	588,553
Income from Long-Term Investments	185,316	12,063	197,379
Investment Income from Perpetual Trusts	82,703	11,665	94,368
Dues	193,861	-	193,861
Gains (Losses) on Long-Term Investments	5,201,002	79,442	5,280,444
Gains (Losses) on Beneficial Interests In Perpetual Trusts	-	282,963	282,963
Other Income	276,697	-	276,697
Net Assets Released from Donor Restrictions			
Satisfaction of Purpose Restrictions	87,702	(87,702)	-
Total Revenues and Support	<u>7,271,516</u>	<u>348,431</u>	<u>7,619,947</u>
Expenses			
Program Services			
Campaigns and Outreach	768,549	-	768,549
Animalearn	204,247	-	204,247
Leaping Bunny	364,607	-	364,607
Alternatives Research	344,894	-	344,894
Total Program Services	<u>1,682,297</u>	<u>-</u>	<u>1,682,297</u>
Support Services			
General and Administrative	304,924	-	304,924
Fundraising	351,344	-	351,344
Total Support Services	<u>656,268</u>	<u>-</u>	<u>656,268</u>
Total Expenses	<u>2,338,565</u>	<u>-</u>	<u>2,338,565</u>
Change in Net Assets	4,932,951	348,431	5,281,382
Net Assets			
Beginning of Year	<u>41,086,627</u>	<u>2,975,413</u>	<u>44,062,040</u>
End of Year	<u>\$ 46,019,578</u>	<u>\$ 3,323,844</u>	<u>\$ 49,343,422</u>

See notes to financial statements.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Grants	\$ 633,592	\$ -	\$ -	\$ 633,592
Contribution for the Direct Benefit of Animals	30,309	-	-	30,309
Salaries	414,822	120,650	100,090	635,562
Employee Benefits	98,171	29,088	23,742	151,001
Payroll Taxes	32,808	9,654	7,964	50,426
Contracted Labor	87,179	-	-	87,179
Professional Fees	117,468	89,827	443	207,738
Membership Development	79	-	160,892	160,971
Office Supplies	5,523	1,613	588	7,724
Telecommunications	23,319	332	1,806	25,457
Occupancy	98,433	17,853	13,821	130,107
Equipment Rental and Maintenance	40,517	6,160	21,026	67,703
Printing, Publications and Postage	124,736	190	51,367	176,293
Design	318	-	-	318
Travel	27,217	-	-	27,217
Conferences and Meetings	27,671	-	-	27,671
Miscellaneous	2,655	7,521	5,238	15,414
Insurance	10,305	2,311	1,885	14,501
Advertising	2,583	-	-	2,583
Research and Information Services	5,563	-	-	5,563
Consultant Fees	49,366	-	-	49,366
Bad Debt Expense	-	53	-	53
Depreciation	9,294	177	909	10,380
Total	\$ 1,841,928	\$ 285,429	\$ 389,771	\$ 2,517,128

See notes to financial statements.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Grants	\$ 574,186	\$ -	\$ -	\$ 574,186
Contribution for the Direct Benefit of Animals	23,358	-	-	23,358
Salaries	402,261	117,884	97,995	618,140
Employee Benefits	94,008	27,560	22,310	143,878
Payroll Taxes	31,550	9,506	7,860	48,916
Contracted Labor	12,795	-	-	12,795
Professional Fees	68,379	111,318	450	180,147
Membership Development	79	-	133,510	133,589
Office Supplies	5,616	1,775	722	8,113
Telecommunications	19,165	362	1,694	21,221
Occupancy	97,665	17,713	13,714	129,092
Equipment Rental and Maintenance	54,173	6,400	21,537	82,110
Printing, Publications and Postage	160,033	353	41,706	202,092
Design	2,096	-	-	2,096
Travel	8,072	-	-	8,072
Conferences and Meetings	17,678	-	-	17,678
Miscellaneous	3,302	11,575	9,297	24,174
Insurance	10,355	390	347	11,092
Advertising	23,489	-	-	23,489
Research and Information Services	5,892	-	-	5,892
Consultant Fees	63,498	-	-	63,498
Bad Debt Expense	-	-	-	-
Depreciation	4,647	88	202	4,937
Total	\$ 1,682,297	\$ 304,924	\$ 351,344	\$ 2,338,565

See notes to financial statements.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	\$ (9,464,802)	\$ 5,281,382
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation	10,380	4,937
Losses (Gains) on Long-Term Investments	8,658,748	(5,280,444)
Losses (Gains) on Beneficial Interests in Perpetual Trusts	349,548	(282,963)
Change in Assets and Liabilities		
(Increase) Decrease in		
Receivables From Estates and Trusts	126,440	(125,233)
Prepaid Expenses	7,472	9,105
Increase (Decrease) in		
Accounts Payable	(24,079)	(2,717)
Accrued Compensation and Related Items	765	(6,000)
Deferred Dues Revenue	(16,450)	36,689
Grants Payable	(90,748)	(183,466)
Gift Annuities Payable	(11,642)	(7,657)
Net Cash Used in Operating Activities	(454,368)	(556,367)
Cash Flows from Investing Activities		
Purchase of Property and Equipment	(25,396)	(16,988)
Proceeds from Sale and Maturities of Investments	7,881,645	9,842,490
Purchase of Investments, Net	(7,190,931)	(8,762,541)
Net Cash Provided by Investing Activities	665,318	1,062,961
Net Increase in Cash and Cash Equivalents	210,950	506,594
Cash and Cash Equivalents		
Beginning of Year	2,815,055	2,308,461
End of Year	\$ 3,026,005	\$ 2,815,055
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Right-of-Use Assets Obtained in Exchange for Operating Lease Obligations	\$ -	\$ 453,898

See notes to financial statements.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

1. NATURE OF ORGANIZATION AND RELATIONSHIPS

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 American Anti-Vivisection Society and Alternatives Research and Development Foundation (collectively referred to as 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.

Basis of Consolidation

The consolidated financial statements of The American Anti-Vivisection Society and the Alternatives Research and Development Foundation are consolidated due to common control and economic interests. The individual entities have the same Board of Directors (Managers) and share facilities and equipment. The Society has legal control over the Foundation. All intercompany balances and transactions have been eliminated in consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements of the Organizations have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned, and expenses are recognized when incurred.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Accounting standards prescribe display standards for general-purpose financial statements for all not-for-profit organizations. These standards require the Organizations to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organizations. These net assets may be used at the discretion of the Organizations' management and Board of Managers.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organizations or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Measure of Operations

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services, and the interest and dividends earned on cash balances. Nonoperating activities are limited to resources that generate return on investments and other activities considered to be of a more unusual or nonrecurring in nature.

Contributions

Contributions, including unconditional promises to give, bequests and beneficial interests in perpetual trusts, are recorded as revenue when received. Contributions are considered to be available for unrestricted use unless they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from purpose or time restrictions.

Contributed Services

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

Cash and Cash Equivalents

The Organizations' cash accounts are maintained in one commercial bank. The amount on deposit may exceed the federally insured limit. The Organizations have not experienced any losses in such accounts. The Organizations believe they are not exposed to any significant credit risk on cash. For purposes of the statement of cash flows, the Organizations consider all highly liquid investments with an initial maturity of 90 days or less to be cash equivalents.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of activities.

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.

Fair Value Measurements

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy; measurements using significant other observable inputs fall within Level 2; and measurements using significant unobservable inputs within Level 3.

Estates and Trusts Receivable

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.

Furniture and Equipment

Furniture and equipment are stated at cost. Major replacements and betterments are capitalized while maintenance and repairs are expensed as incurred. It is the policy of the Organizations to capitalize any property and equipment over \$1,000. Lesser amounts are expensed. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives of furniture and equipment are 3-7 years.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition and Deferred Dues 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 a 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.

Deferred dues revenue activity for the years ended December 31 was as follows:

	Balance December 31, 2021	Refunds Issued	Revenue Recognized Included in December 31, 2022 Balance	Cash Received in Advance of Performance	Balance December 31, 2022
Deferred Dues Revenue	\$ 141,807	\$ -	\$ 141,807	\$ 125,357	\$ 125,357

The balance of deferred dues revenue at December 31, 2022, less any refunds issued, will be recognized as revenue in 2023.

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

The amount of contract assets and liabilities at January 1, 2021, was as follows:

Receivables from Estates and Trusts	\$ 379,016
Deferred Dues Revenue	105,118

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Tax Status

The Organizations are qualified, not-for-profit organizations under Section 501(c) (3) of the Internal Revenue Code. Accordingly, the Organizations are exempt from federal and state income taxes. The Organizations did not have any unrelated business income for the year ended December 31, 2022 that would be subject to federal or state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

The Organizations account for uncertainty in income taxes using a recognition threshold of more-than-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainties occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2022.

The Organizations' Forms 990 – *Federal Return of Organization Exempt from Income Tax* – for the previous three years remains subject to examination by the Internal Revenue Service.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2022 and 2021, was \$2,583 and \$23,489, respectively.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. 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.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported change in net assets.

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.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

New Accounting Pronouncements Adopted

Leases

Effective January 1, 2021, the Organizations adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Accounting Standards Codification (ASC) Topic 842 (ASC 842) was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. In accordance with ASC 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, in the statement of financial position.

The Organizations elected to transition to ASC 842 using the modified retrospective method. Prior period amounts are not adjusted and continue to be reported in accordance with historical accounting under previous lease guidance, ASC Topic 840, *Leases (ASC 840)*. The Organizations also elected the package of practical expedients, which permits the Organizations to not reassess its prior conclusions about lease identification, classification and initial direct costs. In addition, the Organizations elected three other policy elections: 1) to combine lease and non-lease components; 2) the short-term lease recognition exemption for all leases that qualify under ASC 842; and 3) to elect the risk-free discount rate for leases if the implicit rate is unknown and the lessee is not a public business entity.

The adoption of ASU No. 2016-02 (as amended) impacted the Organization's financial statements by the recognition of new right-of-use assets and lease liabilities in its statement of financial position for operating leases and providing significant new disclosures about leasing activities. Upon adoption, the Organizations recognized operating lease liabilities of \$91,520 based on the present value of the remaining minimum rental payments as determined in accordance with ASC 842 for leases that had historically been accounted for as operating leases under Topic 840. The Organizations recognized the corresponding right-of-use assets of \$91,520 based on the operating lease liabilities. The adoption of the standard had no impact on net assets as of January 1, 2021.

Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update 2020-07, *Not-for-Profit Entities*, which updates Topic ASC 958, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The update addresses the presentation and disclosure of contributed nonfinancial assets, which includes fixed assets, use of fixed assets and or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The update was effective for annual reporting periods beginning after June 15, 2021. The Organizations adopted the guidance for the year ended December 31, 2022. The adoption of this update did not affect the recognition of revenues and expenditures by the Organizations but improved the disclosure of contributions of nonfinancial assets.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
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3. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditures, that is, without donor restrictions limiting their use within one year of December 31, 2022, comprised the following:

Financial Assets at Period End	
Cash and Cash Equivalents	\$ 3,026,005
Receivables from Estates and Trusts	<u>377,809</u>
Total Financial Assets	<u>3,403,814</u>
Less Amounts Not Available to be Used Within One Year	
Donor Restrictions for Specified Purposes	<u>(504,687)</u>
Financial Assets Available to Meet General Expenditures	
Over the Next Year	<u><u>\$ 2,899,127</u></u>

As of December 31, 2022 and 2021, the Organizations held liquid assets on hand to cover their operating expenses for 419 and 446 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 consisted of quasi-endowment funds of \$35,527,709 and \$44,788,655 as of December 31, 2022 and 2021, respectively. As described in Note 11, the quasi-endowment has a spending rate of up to 5 percent. Approximately \$1,870,000 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.

4. 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 and has recorded the projected value by the Trustee.

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5. FAIR VALUE MEASUREMENT

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 under FASB ASC 820 are as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organizations have the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• quoted prices for similar assets or liabilities in active markets;• quoted prices for identical or similar assets or liabilities in inactive markets;• inputs other than quoted prices that are observable for the asset or liability;• inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
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5. FAIR VALUE MEASUREMENT (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2022 and 2021.

Marketable equity securities: Valued using quoted market prices for the identical securities.

Marketable debt securities: Valued 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: Valued based on net asset value which is generally determined by the quoted market values of the underlying marketable securities owned.

Beneficial interest in perpetual trust: Valued based on the present value of estimated future cash inflows and the Organizations' percentage interest in the trust asset. This asset is included as Level 3 fair value, and is measured at fair value on a recurring basis based upon the lowest level of input that is significant to the fair value of measurement.

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Notes to Consolidated Financial Statements
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5. FAIR VALUE MEASUREMENT (continued)

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the hierarchy used at December 31, 2022 and 2021, were as follows:

December 31, 2022				
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash Equivalents	\$ 3,266,098	\$ 3,266,098	\$ -	\$ -
U.S. Equities	22,040,766	22,040,766	-	-
International Equities	1,426,145	1,426,145	-	-
Mutual Funds, Equity	600,493	600,493	-	-
Mutual Funds, Fixed Income	269,882	269,882	-	-
U.S. Corporate Debentures	6,177,618	-	6,177,618	-
U.S. Treasury Securities and Bonds	2,416,344	-	2,416,344	-
Total Endowment Investments	<u>36,197,346</u>	<u>27,603,384</u>	<u>8,593,962</u>	<u>-</u>
Contribution Receivable				
Beneficial Interest in Perpetual Trust	<u>1,751,455</u>	<u>-</u>	<u>-</u>	<u>1,751,455</u>
Total	<u>\$ 37,948,801</u>	<u>\$ 27,603,384</u>	<u>\$ 8,593,962</u>	<u>\$ 1,751,455</u>
December 31, 2021				
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash Equivalents	\$ 3,363,446	\$ 3,363,446	\$ -	\$ -
U.S. Equities	30,798,219	30,798,219	-	-
International Equities	772,904	772,904	-	-
Mutual Funds, Equity	1,038,670	1,038,670	-	-
Mutual Funds, Fixed Income	258,337	258,337	-	-
U.S. Corporate Debentures	6,988,266	-	6,988,266	-
U.S. Treasury Securities and Bonds	2,326,966	-	2,326,966	-
Total Endowment Investments	<u>45,546,808</u>	<u>36,231,576</u>	<u>9,315,232</u>	<u>-</u>
Contribution Receivable				
Beneficial Interest in Perpetual Trust	<u>2,101,003</u>	<u>-</u>	<u>-</u>	<u>2,101,003</u>
Total	<u>\$ 47,647,811</u>	<u>\$ 36,231,576</u>	<u>\$ 9,315,232</u>	<u>\$ 2,101,003</u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

5. FAIR VALUE MEASUREMENT (continued)

The following table sets forth a summary of changes in fair value of the Organizations' Level 3 assets for the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Beginning Value	\$ 2,101,003	\$ 1,818,040
Net Realized and Unrealized Gains (Losses)	<u>(349,548)</u>	<u>282,963</u>
Ending Value	<u>\$ 1,751,455</u>	<u>\$ 2,101,003</u>

6. LONG-TERM INVESTMENTS

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

Fair values of long-term investments by net asset classification for the years ended December 31 were as follows:

	<u>2022</u>	<u>2021</u>
Without Donor Restrictions	\$ 35,527,709	\$ 44,788,655
With Donor Restrictions	<u>669,637</u>	<u>758,153</u>
	<u>\$ 36,197,346</u>	<u>\$ 45,546,808</u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

6. LONG-TERM INVESTMENTS (continued)

Long-term investments for the years ended December 31 were as follows:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Cash Equivalents	\$ 3,266,098	\$ 3,266,098	\$ 3,363,446	\$ 3,363,446
U.S. Equities	18,348,155	22,040,766	18,502,797	30,798,219
International Equities	1,278,370	1,426,145	1,339,428	772,904
Mutual Funds, Equity	595,023	600,493	788,974	1,038,670
Mutual Funds, Fixed Income	325,920	269,882	276,977	258,337
U.S. Corporate Debentures	6,672,363	6,177,618	6,759,172	6,988,266
U.S. Treasury Securities and Bonds	2,618,427	2,416,344	2,313,520	2,326,966
 Total Restricted Investments	 <u>\$ 33,104,356</u>	 <u>\$ 36,197,346</u>	 <u>\$ 33,344,314</u>	 <u>\$ 45,546,808</u>

The relationship between cost and fair values of long-term investments for the years ended December 31 were as follows:

	Fair Value	Cost	Excess Fair Value Over Cost
Long-Term Investment, 2022	\$ 36,197,346	\$ 33,104,356	3,092,990
Long-Term Investment, 2021	45,546,808	33,344,314	<u>12,202,494</u>
Unrealized Losses, Net			(9,109,504)
Realized Gains, Net			<u>450,756</u>
 Total Investment Losses, Net			 <u>\$ (8,658,748)</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% and 0.5%, and the annual total return, including realized and unrealized gains and losses was approximately (23.2)% and 12.6%, for the years ended December 31, 2022 and 2021, respectively.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

7. PROPERTY AND EQUIPMENT

The detail of property and equipment as of December 31 was as follows:

	2022	2021
Furniture and Equipment	\$ 264,575	\$ 571,634
Less Accumulated Depreciation	(225,036)	(547,111)
Property and Equipment, Net	\$ 39,539	\$ 24,523

Depreciation expense totaled \$10,380 and \$4,937 for the years ended December 31, 2022 and 2021, respectively.

8. BENEFICIAL INTEREST 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 \$1,366,129 and \$1,619,151 as of December 31, 2022 and 2021, respectively. The Society's average annual yield on the estimated fair value of its beneficial interests in these trusts was approximately 3.72% and 5.10% for the years ended December 31, 2022 and 2021, respectively. The estimated fair value of these beneficial interests is described in Note 5.

The Foundation receives income without donor restriction from a perpetual trust held by a third party. As of December 31, 2022 and 2021, the estimated fair value of the Foundation's beneficial interest in the trust is \$385,326 and \$481,852, 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 1.26% and 3.88% for the years ended December 31, 2022 and 2021, respectively.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
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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, 2022 and 2021, the chimpanzees' ages range from ten to twelve years, and nine to eleven years of age, respectively, and have remaining life expectancies ranging from 48 to 50 years and 49 to 51 years, respectively. Annual expense inflation has been assumed at 2.6% and 2.37% and the estimated payments have been discounted at 4.5% and 3.09%, for the years December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the outstanding balance of the grant is \$1,330,164 and \$1,391,721, respectively. Additionally, as of December 31, 2022 and 2021, the Society had other grants payable in the amount of \$15,434 and \$44,625, respectively.

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

	<u>2022</u>	<u>2021</u>
Due in Less Than One Year	\$ 57,796	\$ 63,391
Due in One to Five Years	227,865	154,646
Due in Five to Ten Years	<u>3,640,590</u>	<u>2,958,388</u>
	3,926,251	3,176,425
Less Discount to Net Present Value	<u>(2,580,653)</u>	<u>(1,740,079)</u>
 Grant Payable	 <u><u>\$ 1,345,598</u></u>	 <u><u>\$ 1,436,346</u></u>

The components of grant expenses for the years ended December 31 were as follows:

	<u>2022</u>	<u>2021</u>
Gross Grant Payments	\$ 392,150	\$ 442,758
Adjustment on Present Value of Chimp Haven Liability	<u>(28,700)</u>	<u>(146,005)</u>
American Anti-Vivisection Society Grant Expense, Net Alternatives Research Development Foundation	363,450	296,753
Grant Expense	<u>270,142</u>	<u>277,433</u>
 Grant Payable	 <u><u>\$ 633,592</u></u>	 <u><u>\$ 574,186</u></u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

10. NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Society:		
Undesignated	\$ 848,407	\$ 908,586
Board Designated Endowment	<u>25,161,119</u>	<u>30,573,975</u>
	<u>26,009,526</u>	<u>31,482,561</u>
Foundation:		
Undesignated	576,725	322,337
Board Designated Endowment	<u>10,366,590</u>	<u>14,214,680</u>
	<u>10,943,315</u>	<u>14,537,017</u>
 Total	 <u>\$ 36,952,841</u>	 <u>\$ 46,019,578</u>

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

	<u>2022</u>	<u>2021</u>
Society:		
Beneficial Interest in Perpetual Trust		
Direct Benefit of Animals	\$ 326,567	\$ 407,119
Undesignated Activities	1,039,562	1,212,033
Endowments		
Direct Benefit of Animals	171,990	185,696
Undesignated Activities	<u>497,647</u>	<u>572,457</u>
	<u>2,035,766</u>	<u>2,377,305</u>
Foundation:		
Subject to Expenditure for Specific Purpose		
Alternatives Award Programs	504,687	464,687
Beneficial Interest in Perpetual Trust	<u>385,326</u>	<u>481,852</u>
	<u>890,013</u>	<u>946,539</u>
 Total	 <u>\$ 2,925,779</u>	 <u>\$ 3,323,844</u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

10. NET ASSETS (continued)

For the years ended December 31, 2022 and 2021, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2022	2021
Satisfaction of Purpose Restrictions		
Direct Benefit of Animals	\$ 30,309	\$ 37,899
Undesignated Activities	96,216	-
Alternatives Award Programs	10,000	49,803
Total Net Assets Released from Purpose Restrictions	\$ 136,525	\$ 87,702

11. ENDOWMENT 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

Pennsylvania law requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under Pennsylvania law. The Foundation's donors have not placed restrictions on the use of the net appreciation resulting from the donor-restricted endowment funds. As a result of this interpretation, the Foundation classifies as perpetually restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as net assets with restrictions until those amounts are appropriated for expenditure by the Foundation.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
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11. ENDOWMENT FUNDS (continued)

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:

December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment and Similar Net Assets, Beginning of Year	\$ 44,788,655	\$ 758,153	\$ 45,546,808
Investment Return			
Investment Income, Net	230,561	14,690	245,251
Investment Losses, Net	(8,568,267)	(90,481)	(8,658,748)
Total Investment Return	(8,337,706)	(75,791)	(8,413,497)
Contributions Invested	-	-	-
Transfers for Restricted Purposes	-	(12,725)	(12,725)
Appropriation of Expenditures, Spending Rate	(923,240)	-	(923,240)
Endowment and Similar Net Assets, End of Year	<u>\$ 35,527,709</u>	<u>\$ 669,637</u>	<u>\$ 36,197,346</u>
December 31, 2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment and Similar Net Assets, Beginning of Year:	\$ 40,653,429	\$ 692,883	\$ 41,346,312
Investment Return:			
Investment Income, Net	173,651	23,728	197,379
Investment Gains, Net	5,201,002	79,442	5,280,444
Total Investment Return	5,374,653	103,170	5,477,823
Contributions Invested	53	-	53
Transfers for Restricted Purposes	-	(23,359)	(23,359)
Appropriation of Expenditures, Spending Rate	(1,239,480)	(14,541)	(1,254,021)
Endowment and Similar Net Assets, End of Year	<u>\$ 44,788,655</u>	<u>\$ 758,153</u>	<u>\$ 45,546,808</u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

11. ENDOWMENT FUNDS (continued)

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, 2022 and 2021.

Investment Return Objectives, Risk Parameters and Strategies

The Organizations have adopted investment and spending policies for its quasi-endowment funds that attempt to provide a predictable stream of funding to support the Foundation's program supported by its quasi-endowment while seeking to maintain the purchasing power of its quasi-endowment assets. Under the spending policy, as approved by the Board of Managers, the investments 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.

Spending Policies

The Organizations have a policy of appropriating income from quasi-endowment investments as needed, but not in excess of the spending policy. The spending policy is to distribute up to 5.0 percent of a moving three year average as of December 31 based on the fair value quasi-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 quasi-endowment funds and, conversely, any undistributed income after the allocation of the total return distribution is added back to the quasi-endowment assets balance of cumulative net unexpended gains. Over the long term, the Foundation expects the current spending policy to allow its quasi-endowments to grow at an average of 4.0 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of its quasi-endowment assets held for a specified term as well as to provide additional real growth through new gifts and investment return.

12. LEASES

The Society leases its office space under the terms of a noncancelable lease agreement which expires July 31, 2024. Lease payments are increased as of every January 1st of each calendar year after the initial term based on a factor of the Consumer Price Index. The minimum annual rent shall be increased as of the commencement of the second full calendar year. Leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial position and expenses for these leases are recognized on a straight-line basis over the lease term as an operating expense. At December 31, 2022 and 2021, occupancy expense was \$130,107 and \$129,092, respectively. For the years ended December 31, 2022 and 2021, cash paid for operating leases was \$128,383 and \$117,232, respectively.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Notes to Consolidated Financial Statements
December 31, 2022 and 2021

12. LEASES (continued)

Future minimum payments under operating leases as of December 31, 2022, were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 130,750
2024	85,426
2025	6,692
2026	3,894
2027	<u>2,250</u>
	229,012
Less Interest Portion	<u>(9,336)</u>
	<u><u>\$ 219,676</u></u>

The following table includes supplemental lease information as of December 31, 2022 and 2021:

<u>Lease Term and Discount Rate</u>	<u>2022</u>	<u>2021</u>
Weighted-average Remaining Lease Term	2.01 years	2.63 years
Weighted-average Discount Rate	0.85%	0.96%

13. 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, 2022 and 2021 was \$34,334 and \$32,910, 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, 2022 and 2021

14. RELATED PARTY TRANSACTIONS

The following related-party transactions are recorded in the accompanying financial statements for the years ended December 31, 2022 and 2021:

<u>Relationship to Organization</u>	<u>Transaction</u>	<u>2022</u>	<u>2021</u>
Treasurer of the Board of Managers	Investment advisory services through employer of Treasurer on behalf of the Organizations	\$ 277,375	\$ 305,729
Board of Managers Family Member	Investment advisory services and commissions earned on investment brokerage conducted through the employer of a family member on behalf of the Society	\$ -	\$ 133,469
President of the Society, Member of the Board of Directors	Grant disbursed to the Global Federation of Animal Sanctuaries	\$ 23,500	\$ 29,750

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 10, 2023, the date the consolidated financial statements were available to be issued.

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidating Statement of Financial Position
December 31, 2022

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 1,931,893	\$ 1,094,112	\$ 3,026,005
Estates and Trusts Receivable	377,809	-	377,809
Prepaid Expenses	64,934	4,212	69,146
Due from (to) Affiliate	18,940	(18,940)	-
Property and Equipment, Net	37,439	2,100	39,539
Right of Use Assets, Operating Leases	196,224	23,452	219,676
Long-Term Investments	25,830,756	10,366,590	36,197,346
Beneficial Interest in Perpetual Trusts	1,366,129	385,326	1,751,455
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 29,824,124</u></u>	<u><u>\$ 11,856,852</u></u>	<u><u>\$ 41,680,976</u></u>
Liabilities and Net Assets			
Liabilities			
Accounts Payable	\$ 23,511	\$ 72	\$ 23,583
Accrued Compensation and Related Items	35,700	-	35,700
Deferred Dues Revenue	125,357	-	125,357
Lease Obligations	196,224	23,452	219,676
Grants Payable	1,345,598	-	1,345,598
Gift Annuities Payable	52,442	-	52,442
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,778,832</u>	<u>23,524</u>	<u>1,802,356</u>
Net Assets			
Without Donor Restrictions	26,009,526	10,943,315	36,952,841
With Donor Restrictions	2,035,766	890,013	2,925,779
	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	<u>28,045,292</u>	<u>11,833,328</u>	<u>39,878,620</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u><u>\$ 29,824,124</u></u>	<u><u>\$ 11,856,852</u></u>	<u><u>\$ 41,680,976</u></u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidating Statement of Financial Position
December 31, 2021

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and Cash Equivalents	\$ 2,039,103	\$ 775,952	\$ 2,815,055
Estates and Trusts Receivable	492,505	11,744	504,249
Prepaid Expenses	73,734	2,884	76,618
Due from (to) Affiliate	(651)	651	-
Property and Equipment, Net	21,823	2,700	24,523
Right of Use Assets, Operating Leases	298,464	38,111	336,575
Long-Term Investments	31,332,128	14,214,680	45,546,808
Beneficial Interest in Perpetual Trusts	1,619,151	481,852	2,101,003
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 35,876,257</u></u>	<u><u>\$ 15,528,574</u></u>	<u><u>\$ 51,404,831</u></u>
Liabilities and Net Assets			
Liabilities			
Accounts Payable	\$ 40,755	\$ 6,907	\$ 47,662
Accrued Compensation and Related Items	34,935	-	34,935
Deferred Dues Revenue	141,807	-	141,807
Lease Obligations	298,464	38,111	336,575
Grants Payable	1,436,346	-	1,436,346
Gift Annuities Payable	64,084	-	64,084
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>2,016,391</u>	<u>45,018</u>	<u>2,061,409</u>
Net Assets			
Without Donor Restrictions	31,482,561	14,537,017	46,019,578
With Donor Restrictions	2,377,305	946,539	3,323,844
	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	<u>33,859,866</u>	<u>15,483,556</u>	<u>49,343,422</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u><u>\$ 35,876,257</u></u>	<u><u>\$ 15,528,574</u></u>	<u><u>\$ 51,404,831</u></u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidating Statement of Activities - Without Donor Restrictions
Year Ended December 31, 2022

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues and Support			
Bequests	\$ 576,658	\$ 253,165	\$ 829,823
Contributions and Grants	320,061	30,489	350,550
Income (Loss) from Long-Term Investments	247,145	(1,894)	245,251
Investment Income from Perpetual Trusts	53,218	16,400	69,618
Dues	206,484	-	206,484
Gains (Losses) on Long-Term Investments	(5,136,024)	(3,446,142)	(8,582,166)
Other Income	194,306	-	194,306
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	126,525	10,000	136,525
Total Revenues and Support	<u>(3,411,627)</u>	<u>(3,137,982)</u>	<u>(6,549,609)</u>
Expenses			
Program Services			
Campaigns and Outreach	801,670	-	801,670
Animalearn	236,733	-	236,733
Leaping Bunny	385,412	-	385,412
Alternatives Research	-	418,113	418,113
Total Program Services	<u>1,423,815</u>	<u>418,113</u>	<u>1,841,928</u>
Support Services			
General and Administrative	251,082	34,347	285,429
Fundraising	386,511	3,260	389,771
Total Support Services	<u>637,593</u>	<u>37,607</u>	<u>675,200</u>
Total Expenses	<u>2,061,408</u>	<u>455,720</u>	<u>2,517,128</u>
Change in Net Assets	(5,473,035)	(3,593,702)	(9,066,737)
Net Assets			
Beginning of Year	<u>31,482,561</u>	<u>14,537,017</u>	<u>46,019,578</u>
End of Year	<u>\$ 26,009,526</u>	<u>\$ 10,943,315</u>	<u>\$ 36,952,841</u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidating Statement of Activities - Without Donor Restrictions
Year Ended December 31, 2021

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues and Support			
Bequests	\$ 705,682	\$ -	\$ 705,682
Contributions and Grants	519,144	19,409	538,553
Income (Loss) from Long-Term Investments	192,582	(7,266)	185,316
Investment Income from Perpetual Trusts	64,703	18,000	82,703
Dues	193,861	-	193,861
Gains (Losses) on Long-Term Investments	3,303,311	1,897,691	5,201,002
Other Income	276,697	-	276,697
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	37,899	49,803	87,702
Total Revenues and Support	<u>5,293,879</u>	<u>1,977,637</u>	<u>7,271,516</u>
Expenses			
Program Services			
Campaigns and Outreach	768,549	-	768,549
Animalearn	204,247	-	204,247
Leaping Bunny	364,607	-	364,607
Alternatives Research	-	344,894	344,894
Total Program Services	<u>1,337,403</u>	<u>344,894</u>	<u>1,682,297</u>
Support Services			
General and Administrative	264,650	40,274	304,924
Fundraising	347,996	3,348	351,344
Total Support Services	<u>612,646</u>	<u>43,622</u>	<u>656,268</u>
Total Expenses	<u>1,950,049</u>	<u>388,516</u>	<u>2,338,565</u>
Change in Net Assets	3,343,830	1,589,121	4,932,951
Net Assets			
Beginning of Year	<u>28,138,731</u>	<u>12,947,896</u>	<u>41,086,627</u>
End of Year	<u>\$ 31,482,561</u>	<u>\$ 14,537,017</u>	<u>\$ 46,019,578</u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidating Statement of Activities - With Donor Restrictions
Year Ended December 31, 2022

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues and Support			
Bequests	\$ -	\$ -	\$ -
Contributions and Grants	96,190	50,000	146,190
Income from Long-Term Investments	-	-	-
Investment Income from Perpetual Trusts	18,400	-	18,400
Dues	-	-	-
Gains (Losses) on Long-Term Investments	(76,582)	-	(76,582)
Gains (Losses) on Beneficial Interests in Perpetual Trusts	(253,022)	(96,526)	(349,548)
Other Income	-	-	-
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	(126,525)	(10,000)	(136,525)
Total Revenues and Support	<u>(341,539)</u>	<u>(56,526)</u>	<u>(398,065)</u>
 Change in Net Assets	 (341,539)	 (56,526)	 (398,065)
 Net Assets			
Beginning of Year	<u>2,377,305</u>	<u>946,539</u>	<u>3,323,844</u>
End of Year	<u>\$ 2,035,766</u>	<u>\$ 890,013</u>	<u>\$ 2,925,779</u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidating Statement of Activities - With Donor Restrictions
Year Ended December 31, 2021

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues and Support			
Bequests	\$ -	\$ -	\$ -
Contributions and Grants	-	50,000	50,000
Income from Long-Term Investments	12,063	-	12,063
Investment Income from Perpetual Trusts	11,665	-	11,665
Dues	-	-	-
Gains (Losses) on Long-Term Investments	79,442	-	79,442
Gains (Losses) on Beneficial Interests in Perpetual Trusts	246,263	36,700	282,963
Other Income	-	-	-
Net Assets Released from Restrictions			
Satisfaction of Purpose Restrictions	(37,899)	(49,803)	(87,702)
Total Revenues and Support	<u>311,534</u>	<u>36,897</u>	<u>348,431</u>
 Change in Net Assets	 311,534	 36,897	 348,431
 Net Assets			
Beginning of Year	<u>2,065,771</u>	<u>909,642</u>	<u>2,975,413</u>
End of Year	<u>\$ 2,377,305</u>	<u>\$ 946,539</u>	<u>\$ 3,323,844</u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidating Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			General and Administrative			Fundraising			Total
	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total	
Grants	\$ 363,450	\$ 270,142	\$ 633,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 633,592
Contribution for the Direct Benefit of Animals	30,309	-	30,309	-	-	-	-	-	-	30,309
Salaries	391,683	23,139	414,822	112,771	7,879	120,650	97,936	2,154	100,090	635,562
Employee Benefits	91,811	6,360	98,171	26,308	2,780	29,088	22,859	883	23,742	151,001
Payroll Taxes	30,894	1,914	32,808	8,867	787	9,654	7,741	223	7,964	50,426
Contracted Labor	0	87,179	87,179	-	-	-	-	-	-	87,179
Professional Fees	117,468	-	117,468	67,689	22,138	89,827	443	-	443	207,738
Membership Development	79	-	79	-	-	-	160,892	-	160,892	160,971
Office Supplies	5,523	-	5,523	1,613	-	1,613	588	-	588	7,724
Telecommunications	23,293	26	23,319	306	26	332	1,806	-	1,806	25,457
Occupancy	81,775	16,658	98,433	17,277	576	17,853	13,821	-	13,821	130,107
Equipment Rental and Maintenance	40,517	-	40,517	6,160	-	6,160	21,026	-	21,026	67,703
Printing, Publications and Postage	124,054	682	124,736	129	61	190	51,367	-	51,367	176,293
Design	318	-	318	-	-	-	-	-	-	318
Travel	27,217	-	27,217	-	-	-	-	-	-	27,217
Conferences and Meetings	24,247	3,424	27,671	-	-	-	-	-	-	27,671
Miscellaneous Fees	2,655	-	2,655	7,421	100	7,521	5,238	-	5,238	15,414
Insurance	10,305	-	10,305	2,311	-	2,311	1,885	-	1,885	14,501
Advertising	62	2,521	2,583	-	-	-	-	-	-	2,583
Research and Information Services	95	5,468	5,563	-	-	-	-	-	-	5,563
Consultant Fees	49,366	-	49,366	-	-	-	-	-	-	49,366
Bad Debt Expense	-	-	-	53	-	53	-	-	-	53
Depreciation	8,694	600	9,294	177	-	177	909	-	909	10,380
Total	\$ 1,423,815	\$ 418,113	\$ 1,841,928	\$ 251,082	\$ 34,347	\$ 285,429	\$ 386,511	\$ 3,260	\$ 389,771	\$ 2,517,128

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidating Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services			General and Administrative			Fundraising			Total
	The American Anti-Vivisection Society	Research and Development Foundation	Total	The American Anti-Vivisection Society	Research and Development Foundation	Total	The American Anti-Vivisection Society	Research and Development Foundation	Total	
Grants	\$ 296,753	\$ 277,433	\$ 574,186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 574,186
Contribution for the Direct Benefit of Animals	23,358	-	23,358	-	-	-	-	-	-	23,358
Salaries	379,037	23,224	402,261	109,745	8,139	117,884	95,767	2,228	97,995	618,140
Employee Benefits	90,625	3,383	94,008	24,581	2,979	27,560	21,521	789	22,310	143,878
Payroll Taxes	30,446	1,104	31,550	8,764	742	9,506	7,655	205	7,860	48,916
Contracted Labor	-	12,795	12,795	-	-	-	-	-	-	12,795
Professional Fees	68,379	-	68,379	83,852	27,466	111,318	450	-	450	180,147
Membership Development	79	-	79	-	-	-	133,510	-	133,510	133,589
Office Supplies	5,616	-	5,616	1,775	-	1,775	722	-	722	8,113
Telecommunications	19,018	147	19,165	334	28	362	1,694	-	1,694	21,221
Occupancy	81,140	16,525	97,665	17,142	571	17,713	13,714	-	13,714	129,092
Equipment Rental and Maintenance	54,173	-	54,173	6,400	-	6,400	21,537	-	21,537	82,110
Printing, Publications and Postage	159,937	96	160,033	257	96	353	41,706	-	41,706	202,092
Design	2,096	-	2,096	-	-	-	-	-	-	2,096
Travel	8,072	-	8,072	-	-	-	-	-	-	8,072
Conferences and Meetings	16,858	820	17,678	-	-	-	-	-	-	17,678
Office Expense and Miscellaneous	3,302	-	3,302	11,322	253	11,575	9,171	126	9,297	24,174
Insurance	10,355	-	10,355	390	-	390	347	-	347	11,092
Advertising	20,314	3,175	23,489	-	-	-	-	-	-	23,489
Research and Information Services	-	5,892	5,892	-	-	-	-	-	-	5,892
Consultant Fees	63,498	-	63,498	-	-	-	-	-	-	63,498
Bad Debt Expense	-	-	-	-	-	-	-	-	-	-
Depreciation	4,347	300	4,647	88	-	88	202	-	202	4,937
Total	\$ 1,337,403	\$ 344,894	\$ 1,682,297	\$ 264,650	\$ 40,274	\$ 304,924	\$ 347,996	\$ 3,348	\$ 351,344	\$ 2,338,565

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidating Statement of Cash Flows
Year Ended December 31, 2022

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Cash Flows from Operating Activities			
Change in Net Assets	\$ (5,814,574)	\$ (3,650,228)	\$ (9,464,802)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities			
Depreciation	9,780	600	10,380
Losses (Gains) on Investments	5,212,606	3,446,142	8,658,748
Unrealized Loss (Gain) on Beneficial Interest in Perpetual Trusts	253,022	96,526	349,548
Change in Assets and Liabilities (Increase) Decrease in			
Receivables From Estates and Trusts	114,696	11,744	126,440
Prepaid Expenses	8,800	(1,328)	7,472
Due to (from) Affiliate, Net	(19,591)	19,591	-
Increase (Decrease) in			
Accounts Payable	(17,244)	(6,835)	(24,079)
Accrued Compensation and Related Items	765	-	765
Deferred Dues Revenue	(16,450)	-	(16,450)
Grants Payable	(90,748)	-	(90,748)
Gift Annuities Payable	(11,642)	-	(11,642)
Net Cash Used in Operating Activities	<u>(370,580)</u>	<u>(83,788)</u>	<u>(454,368)</u>
Cash Flows from Investing Activities			
Purchase of Property and Equipment	(25,396)	-	(25,396)
Proceeds from Sale and Maturities of Investments	5,164,900	2,716,745	7,881,645
Purchase of Investments	(4,876,134)	(2,314,797)	(7,190,931)
Net Cash Provided by Investing Activities	<u>263,370</u>	<u>401,948</u>	<u>665,318</u>
Net Increase (Decrease) in Cash	(107,210)	318,160	210,950
Cash			
Beginning of Year	<u>2,039,103</u>	<u>775,952</u>	<u>2,815,055</u>
End of Year	<u><u>\$ 1,931,893</u></u>	<u><u>\$ 1,094,112</u></u>	<u><u>\$ 3,026,005</u></u>
Supplemental Disclosure of Cash Flow Data			
Right-of-Use Assets Obtained in Exchange for Lease Obligations	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

THE AMERICAN ANTI-VIVISECTION SOCIETY
Consolidating Statement of Cash Flows
Year Ended December 31, 2021

	The American Anti-Vivisection Society	Alternatives Research and Development Foundation	Total
Cash Flows from Operating Activities			
Change in Net Assets	\$ 3,655,364	\$ 1,626,018	\$ 5,281,382
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities			
Depreciation	4,637	300	4,937
Losses (Gains) on Investments	(3,382,753)	(1,897,691)	(5,280,444)
Unrealized Loss (Gain) on Beneficial Interest in Perpetual Trusts	(246,263)	(36,700)	(282,963)
Change in Assets and Liabilities			
(Increase) Decrease in			
Receivables From Estates and Trusts	(113,489)	(11,744)	(125,233)
Prepaid Expenses	8,671	434	9,105
Due to (from) Affiliate, Net	6,768	(6,768)	-
Increase (Decrease) in			
Accounts Payable	29,639	(32,356)	(2,717)
Accrued Compensation and Related Items	(6,000)	-	(6,000)
Deferred Dues Revenue	36,689	-	36,689
Grants Payable	(183,466)	-	(183,466)
Gift Annuities Payable	(7,657)	-	(7,657)
Net Cash Used in Operating Activities	<u>(197,860)</u>	<u>(358,507)</u>	<u>(556,367)</u>
Cash Flows from Investing Activities			
Purchase of Property and Equipment	(13,988)	(3,000)	(16,988)
Proceeds from Sale and Maturities of Investments	6,895,557	2,946,933	9,842,490
Purchase of Investments, Net	(6,172,908)	(2,589,633)	(8,762,541)
Net Cash Provided by Investing Activities	<u>708,661</u>	<u>354,300</u>	<u>1,062,961</u>
Net Increase (Decrease) in Cash	510,801	(4,207)	506,594
Cash			
Beginning of Year	<u>1,528,302</u>	<u>780,159</u>	<u>2,308,461</u>
End of Year	<u>\$ 2,039,103</u>	<u>\$ 775,952</u>	<u>\$ 2,815,055</u>
Supplemental Disclosure of Cash Flow Data			
Right-of-Use Assets Obtained in Exchange for Lease Obligations	<u>\$ 398,691</u>	<u>\$ 55,207</u>	<u>\$ 453,898</u>