

**NEW ENGLAND
ANTI-VIVISECTION SOCIETY**

Financial Statements

Year ended December 31, 2016

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Financial Statements

Year ended December 31, 2016

CONTENTS

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New England Anti-Vivisection Society
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of New England Anti-Vivisection Society (a Massachusetts nonprofit corporation) (the "Society"), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of December 31, 2016, 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.

INDEPENDENT AUDITOR'S REPORT
(continued)

Report on Summarized Comparative Information

We have previously audited the Society's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Leonard, Mulherin & Greene, P.C.

LEONARD, MULHERIN & GREENE, P.C.
Braintree, Massachusetts

March 23, 2017

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Statement of Financial Position

December 31, 2016

(with comparative totals for 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
ASSETS					
Cash	\$ 28,470	\$ -	\$ -	\$ 28,470	\$ 324,431
Contributions receivable	251,174	-	-	251,174	40,467
Other receivables	17,402	-	-	17,402	16,808
Inventory	2,422	-	-	2,422	2,422
Investments	6,660,685	524,921	380,923	7,566,529	7,430,236
Prepaid expenses	29,602	-	-	29,602	4,389
Property and equipment, net of accumulated depreciation	104,739	-	-	104,739	104,688
Total assets	\$ 7,094,494	\$ 524,921	\$ 380,923	\$ 8,000,338	\$ 7,923,441
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable	\$ 28,121	\$ -	\$ -	\$ 28,121	\$ 29,877
Accrued expenses	30,201	-	-	30,201	23,700
Total liabilities	58,322	-	-	58,322	53,577
Net Assets					
Unrestricted	7,036,172	-	-	7,036,172	6,886,892
Temporarily restricted	-	524,921	-	524,921	602,049
Permanently restricted	-	-	380,923	380,923	380,923
Total net assets	7,036,172	524,921	380,923	7,942,016	7,869,864
Total liabilities and net assets	\$ 7,094,494	\$ 524,921	\$ 380,923	\$ 8,000,338	\$ 7,923,441

The accompanying notes are an integral part of these financial statements.

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Statement of Activities

Year ended December 31, 2016

(with comparative totals for 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT, REVENUE AND GAINS					
Contributions	\$ 132,996	\$ -	\$ -	\$ 132,996	\$ 239,645
Bequests	335,206	-	-	335,206	640,985
Investment income (loss)	641,512	(2,439)	-	639,073	(13,886)
In-kind donations	1,200	-	-	1,200	2,125
Other income	452	-	-	452	1,000
Net assets released from restrictions					
Appropriation of endowment assets for expenditure	74,689	(74,689)	-	-	-
Total support, revenue and gains	1,186,055	(77,128)	-	1,108,927	869,869
EXPENSES					
Program services	881,425	-	-	881,425	756,520
Supporting services					
General and administrative	31,219	-	-	31,219	65,838
Fundraising	124,131	-	-	124,131	124,843
Total expenses	1,036,775	-	-	1,036,775	947,201
CHANGE IN NET ASSETS	149,280	(77,128)	-	72,152	(77,332)
NET ASSETS, beginning of year	6,886,892	602,049	380,923	7,869,864	7,947,196
NET ASSETS, end of year	\$ 7,036,172	\$ 524,921	\$ 380,923	\$ 7,942,016	\$ 7,869,864

The accompanying notes are an integral part of these financial statements.

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Statement of Functional Expenses

Year ended December 31, 2016

(with comparative totals for 2015)

	2016				2015
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries and related	\$ 399,211	\$ 18,883	\$ 56,742	\$ 474,836	\$ 460,351
Collaborative projects	52,254	-	-	52,254	144,000
Campaigns and outreach	200,056	-	3,007	203,063	86,959
Sponsorships and interns	43,423	-	-	43,423	21,070
Member outreach	-	-	8,123	8,123	7,439
Travel	6,608	215	746	7,569	5,132
Speaking engagements and conferences	-	-	-	-	1,441
Marketing and outreach	3,126	27	85	3,238	720
Board of Directors	-	330	-	330	181
Resource library	48	-	-	48	158
Professional services					
Accounting	19,113	1,426	4,478	25,017	22,279
Investment fees	11,575	1,085	2,011	14,671	14,998
Audit and tax	6,112	456	1,432	8,000	8,000
Communications consultant	585	585	2,730	3,900	2,975
In-kind donations	435	135	630	1,200	2,125
Legal	10,571	789	2,477	13,837	1,973
Administrative					
Information technology/web-site	39,401	505	3,954	43,860	35,649
Condominium management fees	20,382	1,521	4,775	26,678	26,679
Insurance	18,961	1,415	4,443	24,819	24,689
Office	11,647	1,036	2,388	15,071	12,582
Postage	7,667	258	2,170	10,095	12,457
Telephone	6,313	484	1,435	8,232	10,223
Permits and fees	14	16	8,852	8,882	8,923
Bank and credit card fees	-	303	5,682	5,985	6,925
Maintenance and equipment	4,742	369	2,059	7,170	5,189
Utilities	2,861	217	663	3,741	5,099
Other	1,002	21	1,660	2,683	1,684
Temporary help	-	-	-	-	786
Printing and stationary	1,299	97	305	1,701	531
Depreciation	14,019	1,046	3,284	18,349	15,984
Total expenses	\$ 881,425	\$ 31,219	\$ 124,131	\$ 1,036,775	\$ 947,201

The accompanying notes are an integral part of these financial statements.

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Statement of Cash Flows

Year ended December 31, 2016

(with comparative totals for 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 72,152	\$ (77,332)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	18,349	15,984
Realized (gains) losses on investments	(94,638)	394
Unrealized (gains) losses on investments	(314,780)	265,211
(Increase) decrease in asset accounts		
Contributions receivable	(210,707)	(15,485)
Other receivables	(594)	(7,478)
Prepaid expenses	(25,213)	33,289
Increase (decrease) in liability accounts		
Accounts payable	(1,756)	7,533
Accrued expenses	6,501	(13,680)
Other liabilities	-	(14,284)
Net cash provided by (used in) operating activities	(550,686)	194,152
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(230,170)	(680,576)
Proceeds from sales or redemptions of investments	503,295	495,038
Purchase of property and equipment	(18,400)	(11,500)
Net cash provided by (used in) investing activities	254,725	(197,038)
Net decrease in cash	(295,961)	(2,886)
Cash, beginning of year	324,431	327,317
Cash, end of year	\$ 28,470	\$ 324,431

The accompanying notes are an integral part of these financial statements.

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Notes to Financial Statements
December 31, 2016

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The New England Anti-Vivisection Society (the "Society") (a Massachusetts-based national nonprofit organization) is a national animal advocacy organization founded in 1895. The Society's mission is to end the cruelty and waste of animal experiments and replace them with modern alternatives that are ethically, humanely, and scientifically superior.

The Society advocates for the protection of animals through public outreach efforts and publications, through education programs designed to promote greater compassion and respect for life, and through the support of legislative initiatives and litigation intended for the protection of animals.

Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

Pursuant to accounting principles generally accepted in the United States of America, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets represent the portion of the net assets of the Society that is neither permanently nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent those assets whose use has been limited by donors to a specific time period or purpose. In accordance with Massachusetts law, investment earnings or appreciation on permanently restricted endowment funds that are available to support current operations and that have not yet been appropriated for expenditure are classified as temporarily restricted net assets.

On December 31, 2016, temporarily restricted net assets are available for the following purpose:

Accumulated appreciation on donor-restricted endowment funds subject to appropriation by the Board of Directors	\$524,921
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Permanently restricted net assets consist of endowment funds that have been restricted by donors to be maintained in perpetuity. Income earned on such funds is unrestricted or temporarily restricted based on donor stipulations.

At December 31, 2016, permanently restricted net assets consisted of the following:

Donor-restricted endowment funds	\$380,923
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NEW ENGLAND ANTI-VIVISECTION SOCIETY

Notes to Financial Statements
December 31, 2016

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

At December 31, 2016, the Society's cash balance consists of its operating cash accounts. For purposes of the Statement of Cash Flows, the operating cash accounts are included as cash, while cash held by the Society's investment manager for investment purposes is included in investments (see Note 3). The Society's cash is held in a commercial bank whose insured limit is at times less than the Society's balances. The Society's cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per depositor. The Society had no uninsured balances at December 31, 2016.

Investments

In accordance with accounting principles generally accepted in the United States of America, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at market value in the Statement of Financial Position. Realized and unrealized gains and losses are included in the change in net assets in the Statement of Activities.

The Society holds various types of investments. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that the changes could materially affect the amounts reported in the Statement of Financial Position.

Inventory

Inventory consists of merchandise for sale and is stated at the lower cost (first-in, first-out basis) or market.

Property and Equipment

Property and equipment is recorded at cost on the date of acquisition or at fair market value on the date of donation. The Society capitalizes significant additions to property and equipment, while expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets which range from 3 to 40 years.

Contributions

Contributions are recognized at the earlier of when received or when a donor declares an unconditional intent to contribute cash or other assets to the Society. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction has been satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

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

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Notes to Financial Statements
December 31, 2016

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Status

The Society is qualified under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Society is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Society believes it is no longer subject to income tax examinations for years prior to 2013.

Donated Goods and Services

The Society records donated assets at the fair market value on the date the assets are unconditionally pledged to the Society. Donated services are recorded at fair market value on the date the services are provided if the services create or enhance nonfinancial assets or are provided by persons with certain skills that would typically need to be purchased if not donated.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by various methods.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements as of and for the year ended December 31, 2015, from which the summarized information was derived.

Subsequent Events

The Society evaluated events that occurred after December 31, 2016, the date of the Statement of Financial Position, but before the date the financial statements were available to be issued, March 23, 2017, for potential recognition or disclosure in the financial statements. The Society did not identify any subsequent events that had a material effect on the accompanying financial statements.

2 – CONTRIBUTIONS RECEIVABLE

The Society's unconditional contributions receivable totaled \$251,174 and \$40,467 at December 31, 2016 and 2015, respectively. All amounts due were received by the Society subsequent to the respective year end. As such, no allowance for uncollectible contributions receivable has been recorded.

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Notes to Financial Statements
December 31, 2016

3 – INVESTMENTS

At December 31, investments consisted of the following:

	2016	2015
Money market funds	\$ 258,807	\$ 358,982
Exchange-traded funds	3,156,734	3,751,894
Mutual funds	2,800,693	1,938,789
Fixed income securities	1,269,455	1,269,462
Equity securities	80,840	111,109
Total investments	\$7,566,529	\$7,430,236

For the years ended December 31, investment income (loss) consisted of the following:

	2016	2015
Unrealized gains (losses) on investments	\$314,780	\$(265,211)
Realized gains (losses) on investments	94,638	(394)
Interest and dividends	229,655	251,719
Total investment income (loss)	\$639,073	\$(13,886)

4 – FAIR VALUE MEASUREMENTS

The Society applies the provisions of accounting principles generally accepted in the United States of America which establish a fair value hierarchy that prioritizes the inputs to valuation techniques 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), a lower priority to significant other observable inputs (Level 2 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under these provisions are described below:

Basis of Fair Value Measurement

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 Inputs to the valuation methodology include:

- 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.

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Notes to Financial Statements
December 31, 2016

4 – FAIR VALUE MEASUREMENTS (continued)

Basis of Fair Value Measurement (continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's 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 preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets that are measured at fair value on a recurring basis at December 31, 2016:

	Total	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	\$ 258,807	\$ 258,807	\$ -	\$ -
Corporate bonds	1,098,276	-	1,098,276	-
Government bonds	171,179	171,179	-	-
Corporate stocks	80,840	80,840	-	-
Mutual Funds				
Equity	2,023,922	2,023,922	-	-
International	552,423	552,423	-	-
Bond	224,348	224,348	-	-
Exchange-traded funds:				
Equity	2,174,730	2,174,730	-	-
International	628,544	628,544	-	-
Bond	298,967	298,967	-	-
Commodity	28,496	28,496	-	-
Real estate	25,997	25,997	-	-
Total investments	\$7,566,529	\$6,468,253	\$1,098,276	\$ -

5 – ENDOWMENT

The Society follows the guidance of accounting principles generally accepted in the United States of America on net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to enacted versions of the Uniform Prudent Management of Institutional Funds Act of 2006 and disclosures about an organization's donor-restricted and board-designated endowment funds.

The Society's endowment consists of funds that have been restricted by donors to be maintained in perpetuity. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Notes to Financial Statements
December 31, 2016

5 – ENDOWMENT (continued)

Interpretation of Relevant Law Regarding Net Asset Classification and Appropriation

Based on a Massachusetts Attorney General Position Statement, issued in January 2004, and the Massachusetts Uniform Prudent Management of Institutional Funds Act (“MA UPMIFA”) management has interpreted relevant Massachusetts law as requiring the preservation of the fair value of the original gift as of the gift date (“historic dollar value”) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Society classifies as permanently restricted net assets the historic dollar value of gifts donated to the permanent endowment. Any unspent endowment gains are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by Massachusetts law at which time the gains are reclassified to unrestricted net assets.

In making a determination to appropriate or accumulate, the Society considers the following factors:

1. The duration and preservation of the endowment fund.
2. The purposes of the Society and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation or deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Society.
7. The investment policy of the Society.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MA UPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are to be reported in unrestricted net assets. There were no such deficiencies as of December 31, 2016 or 2015.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that equal or exceed relevant benchmarks while assuming a moderate level of investment risk. The Society expects its endowment funds, over time, to provide an average rate of return of at least 5 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Notes to Financial Statements
December 31, 2016

5 – ENDOWMENT (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Society has a policy of appropriating for distribution each year an amount up to 7% of the average market value of donor-restricted endowment funds over the previous three calendar years preceding the year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of 5% annually. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

The Society's endowment by net asset class consisted of the following at December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$524,921	\$380,923	\$905,844

The change in the Society's endowment by net asset class was as follows for the year ended December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$602,049	\$380,923	\$982,972
Investment return:				
Unrealized losses on investments	-	(2,439)	-	(2,439)
Total investment return	-	(2,439)	-	(2,439)
Appropriation of endowment assets for expenditure	-	(74,689)	-	(74,689)
Endowment net assets, end of year	\$ -	\$524,921	\$380,923	\$905,844

6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2016	2015
Office condominium and improvements	\$638,672	\$620,272
Furniture and equipment	205,031	205,031
	843,703	825,303
Less accumulated depreciation	(738,964)	(720,615)
	\$104,739	\$104,688

Depreciation expense for the years ended December 31, 2016 and 2015 totaled \$18,349 and \$15,984, respectively.

NEW ENGLAND ANTI-VIVISECTION SOCIETY

Notes to Financial Statements
December 31, 2016

7 – RETIREMENT PLAN

The Society sponsors a savings incentive match plan covering substantially all of its employees. The Society matches employee contributions up to a maximum of 3% of the employee's salary. The Society's matching contributions totaled \$3,900 and \$4,238 for the years ended December 31, 2016 and 2015, respectively.