



AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020

**National Anti-Vivisection Society
Audit Report
For the Year Ended June 30, 2020**

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Selden Fox

Accounting for your future

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Anti-Vivisection Society
Chicago, Illinois

We have audited the accompanying financial statements of **National Anti-Vivisection Society**, which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the 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 for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Anti-Vivisection Society as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Selden Fox, Ltd.

October 30, 2020

National Anti-Vivisection Society
Statement of Financial Position
June 30,

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 239,181	\$ 245,938
Investments	8,084,890	6,997,368
Royalties receivable	12,723	27,245
Accrued interest receivable	3,076	1,429
Prepaid expenses	48,166	55,905
Total current assets	8,388,036	7,327,885
Other assets - investments - with donor restrictions	-	265,709
Property and equipment, net	12,338	26,467
Total assets	\$ 8,400,374	\$ 7,620,061
Liabilities and Net Assets		
Current liabilities:		
Accrued vacation	\$ 30,186	\$ 17,065
Accounts payable and accrued expenses	68,275	9,946
Grant payable	-	150,000
SBA loan (PPP)	157,016	-
Total current liabilities	255,477	177,011
Net assets without donor restrictions	7,545,379	6,728,727
Net assets with donor restrictions:		
Special project	480,083	448,614
Unspent grant proceeds	119,435	-
Investment	-	265,709
Total net assets	8,144,897	7,443,050
Total liabilities and net assets	\$ 8,400,374	\$ 7,620,061

See accompanying notes.

National Anti-Vivisection Society
Statement of Activities
For the Year Ended June 30,

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
Revenues:			
Donations	\$ 1,078,538	\$ 113,016	\$ 1,191,554
Foundation grant	130,565	119,435	250,000
Net investment income (loss)	(45,829)	1,154	(44,675)
Legacies and bequests	1,494,475	-	1,494,475
Royalty income	200,063	-	200,063
Net assets released from restrictions	348,410	(348,410)	-
Total revenues	3,206,222	(114,805)	3,091,417
Expenses:			
Program - education	1,888,042	-	1,888,042
Supporting services:			
Management and general	255,595	-	255,595
Fund-raising	245,933	-	245,933
Total expenses	2,389,570	-	2,389,570
Change in net assets	816,652	(114,805)	701,847
Net assets:			
Beginning of the year	6,728,727	714,323	7,443,050
End of the year	\$ 7,545,379	\$ 599,518	\$ 8,144,897

See accompanying notes.

2019		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 834,152	\$ 113,875	\$ 948,027
20,000	-	20,000
320,270	7,965	328,235
787,698	-	787,698
263,195	-	263,195
100,000	(100,000)	-
2,325,315	21,840	2,347,155
1,709,943	-	1,709,943
241,141	-	241,141
249,791	-	249,791
2,200,875	-	2,200,875
124,440	21,840	146,280
6,604,287	692,483	7,296,770
\$ 6,728,727	\$ 714,323	\$ 7,443,050

**National Anti-Vivisection Society
Statement of Functional Expenses
For the Year Ended June 30, 2020**

	Program Services			
	Public Awareness and General Education	Student/ Teacher Programs	Legal and Legislative	Science Programs
Salaries	\$ 358,115	\$ 63,969	\$ 178,977	\$ 142,798
Payroll taxes	25,614	4,575	12,801	10,214
Total salaries and related expenses	383,729	68,544	191,778	153,012
Professional and consulting fees	259,187	3,278	7,907	11,221
Telephone	5,023	134	201	201
Postage	67,663	-	-	-
Occupancy	86,235	-	-	-
Repairs and maintenance	6,500	1,276	454	445
Insurance	42,648	4,217	12,436	9,384
Printing and publication	55,910	110	100	-
Dues and subscriptions	5,237	-	-	280
Special services	-	-	-	-
Conferences, conventions, and meetings	4,126	2,387	3,977	1,818
Office expense	4,562	-	-	-
Grants	475	-	120,000	228,000
Miscellaneous	2,673	662	226	-
Total expenses before depreciation	923,968	80,608	337,079	404,361
Depreciation	8,478	-	-	-
Total expenses	\$ 932,446	\$ 80,608	\$ 337,079	\$ 404,361

See accompanying notes.

		Supporting Services					
Cooperative Efforts and Grants	Total	Management and General	Fund- raising	Total	Total		
\$ 42,410 3,033	\$ 786,269 56,237	\$ 89,335 6,390	\$ 79,094 5,657	\$ 168,429 12,047	\$ 954,698 68,284		
45,443	842,506	95,725	84,751	180,476	1,022,982		
-	281,593	46,555	103,611	150,166	431,759		
134	5,693	737	268	1,005	6,698		
-	67,663	796	32,825	33,621	101,284		
-	86,235	11,371	3,955	15,326	101,561		
227	8,902	690	421	1,111	10,013		
5,043	73,728	18,785	5,920	24,705	98,433		
-	56,120	5,776	10,119	15,895	72,015		
-	5,517	3,212	3,215	6,427	11,944		
-	-	5,200	-	5,200	5,200		
-	12,308	730	-	730	13,038		
-	4,562	1,139	-	1,139	5,701		
82,701	431,176	-	-	-	431,176		
-	3,561	60,076	-	60,076	63,637		
133,548	1,879,564	250,792	245,085	495,877	2,375,441		
-	8,478	4,803	848	5,651	14,129		
\$ 133,548	\$ 1,888,042	\$ 255,595	\$ 245,933	\$ 501,528	\$ 2,389,570		

**National Anti-Vivisection Society
Statement of Functional Expenses
For the Year Ended June 30, 2019**

	Program Services			
	Public Awareness and General Education	Student/ Teacher Programs	Legal and Legislative	Science Programs
Salaries	\$ 349,437	\$ 62,378	\$ 166,468	\$ 121,550
Payroll taxes	24,956	4,455	11,889	8,681
Total salaries and related expenses	374,393	66,833	178,357	130,231
Professional and consulting fees	203,073	-	8,139	-
Educational material	470	-	-	-
Telephone	8,242	223	390	357
Postage	62,906	-	-	-
Occupancy	86,625	-	-	-
Repairs and maintenance	14,831	246	475	466
Insurance	42,083	4,640	14,305	10,524
Printing and publication	64,037	-	582	-
Dues and subscriptions	4,041	-	631	265
Special services	-	-	-	-
Conferences, conventions, and meetings	6,378	4,051	5,732	1,243
Office expense	1,785	-	-	-
Grants	580	17,500	95,000	132,500
Miscellaneous	3,796	1,000	32	-
Total expenses before depreciation	873,240	94,493	303,643	275,586
Depreciation	11,996	-	-	-
Total expenses	\$ 885,236	\$ 94,493	\$ 303,643	\$ 275,586

See accompanying notes.

		Supporting Services					
Cooperative Efforts and Grants	Total	Management and General	Fund- raising	Total	Total		
\$ 41,568	\$ 741,401	\$ 98,974	\$ 82,304	\$ 181,278	\$ 922,679		
2,969	52,950	7,068	5,878	12,946	65,896		
44,537	794,351	106,042	88,182	194,224	988,575		
303	211,515	23,498	105,949	129,447	340,962		
-	470	-	-	-	470		
231	9,443	1,222	449	1,671	11,114		
-	62,906	1,160	27,489	28,649	91,555		
-	86,625	11,418	4,050	15,468	102,093		
238	16,256	813	446	1,259	17,515		
5,676	77,228	19,617	6,229	25,846	103,074		
-	64,619	5,441	14,625	20,066	84,685		
-	4,937	1,149	1,149	2,298	7,235		
-	-	5,000	-	5,000	5,000		
-	17,404	564	-	564	17,968		
-	1,785	1,283	23	1,306	3,091		
100,000	345,580	-	-	-	345,580		
-	4,828	57,137	-	57,137	61,965		
150,985	1,697,947	234,344	248,591	482,935	2,180,882		
-	11,996	6,797	1,200	7,997	19,993		
\$ 150,985	\$ 1,709,943	\$ 241,141	\$ 249,791	\$ 490,932	\$ 2,200,875		

National Anti-Vivisection Society
Statement of Cash Flows
For the Year Ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 701,847	\$ 146,280
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	14,129	19,993
Unrealized loss (gain) on investments	184,317	32,495
Realized gain on investments	(11,886)	(217,168)
Changes in operating assets and liabilities:		
Royalties receivable	12,875	25,123
Prepaid expenses	7,739	(1,096)
Accounts payable and accrued expenses	71,450	(23,616)
Grants payable	(150,000)	-
Cash from operating activities	<u>830,471</u>	<u>(17,989)</u>
Cash flows from investing activities:		
Proceeds from the sale of investments	2,226,384	1,584,216
Purchases of investments	(3,220,628)	(1,890,477)
Cash from investing activities	<u>(994,244)</u>	<u>(306,261)</u>
Cash flows from financing activities - proceeds from SBA loan	<u>157,016</u>	<u>-</u>
Decrease in cash	(6,757)	(324,250)
Cash and cash equivalents, beginning of the year	<u>245,938</u>	<u>570,188</u>
Cash and cash equivalents, end of the year	<u>\$ 239,181</u>	<u>\$ 245,938</u>

See accompanying notes.

National Anti-Vivisection Society Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Organization and Purpose – The National Anti-Vivisection Society (hereafter “NAVS” or “Society”) is incorporated under the laws of the state of Illinois as of 1929, as a not-for-profit corporation.

NAVS is dedicated to abolishing the exploitation of animals used in research, education, and product testing.

NAVS promotes greater compassion, respect, and justice for animals through educational programs based on respected ethical and scientific theory and supported by extensive documentation of the cruelty and waste of Vivisection. NAVS' educational programs are directed at increasing public awareness about Vivisection, identifying humane solutions to human problems, developing alternatives to the use of animals, and working with like-minded individuals and groups to effect changes that help to end the suffering inflicted on innocent animals.

Basis of Presentation – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes: with donor restrictions and without donor restrictions.

Net Assets Without Donor Restrictions – Net assets which are available for fulfillment of NAVS' mission and which may be expended at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets which are subject to donor-imposed restrictions. Some restrictions could be temporary in nature, such as those that will be met by the actions of NAVS or the passage of time, while some restrictions could be perpetual in nature, in that a donor has stipulated the funds be maintained in perpetuity.

Royalty income is received from a gas and oil lease agreement on land owned by NAVS. Revenue is recognized on the accrual basis.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Contributions received with donor restrictions that are met in the same year as received are reported as being received without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Donor imposed restrictions are released when restrictions expire (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed). Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

National Anti-Vivisection Society
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities and the related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

NAVS records investments at fair value. The ultimate realization of the investments is based upon future economic factors related to the investments. For this estimate, it is reasonably possible that the recorded amount or related disclosure could significantly change in the near future, as new information is available.

Cash and Cash Equivalents – For purposes of the statement of cash flows, NAVS considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment – Betterments and replacements of major items of property are capitalized. Maintenance, repairs and minor replacements are expensed. The cost of property sold or retired is removed from the related property and accumulated depreciation accounts, and the resultant gain or loss is recorded. Depreciation of property and equipment is provided by the straight-line method over the following estimated useful lives:

Leasehold improvements	5 - 15 years
Furniture and equipment	3 - 10 years
Automobile	5 years
Computer software	3 years

Income Taxes – NAVS is a not-for-profit entity, as described under Section 501(c)(3) of the Internal Revenue Code, and is exempt from income taxes, except for taxes on unrelated business income generated from unrelated or trade business activities. NAVS had no unrelated or trade business activity in 2020 or 2019. Accordingly, no provision for income taxes is included in the financial statements.

NAVS' tax returns for the years ended June 30, 2017 through 2019, are open years for purposes of any future IRS or applicable state examinations.

National Anti-Vivisection Society
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

New Accounting Pronouncements – In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, NAVS adopted the ASU effective on July 1, 2019. The new standard requires the Society to reassess its revenue recognition policy to accurately depict whether a transfer of assets is a contribution or exchange transaction and whether a contribution received (including government grants) is conditional or unconditional. The adoption of this guidance did not have a significant impact on the Society's financial position, changes in net assets or cash flows. The primary sources of contributions are from public support.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional expense basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted based on estimated staff time. All direct costs of the programs are charged to the programs, and all remaining costs are considered administrative expenses.

SBA Loan - Paycheck Protection Program Loan – In April of 2020, NAVS received \$157,016 of proceeds in the form of a potentially forgivable loan under the CARES Act's Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Administration (SBA). NAVS has elected to account for its potentially forgivable Paycheck Protection Program loan payable under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 470 *Debt*. Under this guidance, extinguishment of the loan would be recognized when NAVS has been legally released as the primary obligor of the loan. This would occur if and when the United States Small Business Administration approves the Institute's forgiveness application.

Subsequent Events – Subsequent events have been evaluated through October 30, 2020, which is the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, there are economic uncertainties that exist which could have a negative financial impact on the Society, including the potential for reduction in future contribution and fund-raising revenue. The full potential impact is unknown at this time. Management is monitoring the situation and will adjust expense levels and assess its financial assets as needed to mitigate negative impacts of the pandemic. As disclosed in Note 1, in fiscal 2021, management intends to apply to have the Paycheck Protection Program loan forgiven which would result in an additional one-time increase in income and serve to mitigate the potential negative financial effects of the pandemic.

National Anti-Vivisection Society
Notes to the Financial Statements (cont'd)

2. Liquidity and Availability

The following represents the Society's financial assets available to meet general expenditures over the next twelve months at June 30:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 239,181	\$ 245,938
Receivables	12,723	27,245
Investments	8,084,890	7,263,077
Less financial assets with restrictions	(599,518)	(714,323)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,737,276</u>	<u>\$ 6,821,937</u>

NAVS' goal is generally to maintain approximately \$250,000 in liquid cash. The investment balance is intended to ensure the long-term financial viability of NAVS, but management has the ability to utilize these funds to meet current obligations as necessary.

3. Investments

Investments classified as current assets in the statement of financial position are summarized as follows:

	June 30, 2020		June 30, 2019	
	Cost	Fair Value	Cost	Fair Value
Common stock and mutual funds	\$ 7,544,136	\$ 8,084,790	\$ 6,272,297	\$ 6,997,268
Other - cost	100	100	100	100
	<u>\$ 7,544,236</u>	<u>\$ 8,084,890</u>	<u>\$ 6,272,397</u>	<u>\$ 6,997,368</u>

Net investment income for the year ended June 30, 2020, consists of an unrealized loss of \$184,317 (\$40,460 of unrealized loss for the year ended June 30, 2019), realized gain of \$11,886 (\$217,168 of realized gain for the year ended June 30, 2019), interest and dividends of \$181,262 (\$189,337 for the year ended June 30, 2019), and investment expenses of \$54,660 (\$45,776 for the year ended June 30, 2019).

National Anti-Vivisection Society
Notes to the Financial Statements (cont'd)

4. Restricted Investments

NAVS received a restricted bequest in 1995. Per the terms of the donor's will, the principal is held in the name of NAVS, and all income is paid to a third-party beneficiary for life. Upon the death of the third-party beneficiary, the principal will be owned by NAVS free of all claims. During the year ended June 30, 2020, the beneficiary became deceased and \$266,863 was transferred from restricted investments.

The fair value of the restricted investments is summarized as follows:

	June 30, 2019	
	Cost	Fair Value
Cash	\$ 32,059	\$ 32,059
Mortgage-backed securities	233,650	233,650
	\$ 265,709	\$ 265,709

Net investment income for the year ended June 30, 2020, consists of unrealized gains of \$1,154 (\$7,965 of unrealized gains for the year ended June 30, 2019).

5. Investments Hierarchy

A significant number of NAVS' financial instruments are carried at fair value with changes in fair value recognized in net assets each period. NAVS makes estimates regarding valuation of assets measured at fair value in preparing the financial statements.

Fair value is defined as 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 measurement is broken down into a three-level valuation hierarchy based on the reliability of observable and unobservable inputs as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that NAVS has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

National Anti-Vivisection Society
Notes to the Financial Statements (cont'd)

5. Investments Hierarchy (cont'd)

Following is a description of the valuation methodologies used for investments measured at fair value, as well as the general classification of such investments pursuant to the valuation hierarchy.

Common stock and mutual funds are valued using quoted market prices. Accordingly, these assets are categorized in Level 1 of the fair value hierarchy.

Mortgage-backed securities are valued using inter-broker prices, bid evaluations from active markets and a spread scale. Accordingly, these assets are categorized in Level 2 of the fair value hierarchy.

Description	2020			Balance, June 30
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds:				
U.S. Large Cap	\$ 1,793,394	\$ -	\$ -	\$ 1,793,394
U.S. Mid Cap	485,280	-	-	485,280
U.S. Small Cap	87,483	-	-	87,483
International	804,153	-	-	804,153
Fixed Income	1,303,953	-	-	1,303,953
Other	109,682	-	-	109,682
Common stocks:				
Domestic	2,802,035	-	-	2,802,035
Cash	698,910	-	-	698,910
	<u>\$ 8,084,890</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,084,890</u>

National Anti-Vivisection Society
Notes to the Financial Statements (cont'd)

5. Investment Hierarchy (cont'd)

Description	2019			Balance, June 30
	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Mutual funds:				
U.S. Large Cap	\$ 1,027,710	\$ -	\$ -	\$ 1,027,710
U.S. Mid Cap	463,979	-	-	463,979
U.S. Small Cap	95,010	-	-	95,010
Diversified	252,288	-	-	252,288
International	82,128	-	-	82,128
Fixed Income	993,007	-	-	993,007
Other	684,446	-	-	684,446
Common stocks:				
Domestic	3,202,446	-	-	3,202,446
Foreign	90,015	-	-	90,015
Restricted:				
Mortgage-backed securities	-	233,650	-	233,650
Cash	138,398	-	-	138,398
	<u>\$ 7,029,427</u>	<u>\$ 233,650</u>	<u>\$ -</u>	<u>\$ 7,263,077</u>

6. Property and Equipment

Property and equipment is comprised of the following at June 30:

	2020	2019
Furniture and equipment	\$ 350,997	\$ 350,997
Computer software	111,389	111,389
Automobile	40,636	40,636
Leasehold improvement	10,458	10,458
	<u>513,480</u>	<u>513,480</u>
Less accumulated depreciation and amortization	501,142	487,013
	<u>\$ 12,338</u>	<u>\$ 26,467</u>

Depreciation of property and equipment for the year ended June 30, 2020, was \$14,129 (\$19,993 for the year ended June 30, 2019).

National Anti-Vivisection Society
Notes to the Financial Statements (cont'd)

7. Commitments

Operating Lease – NAVS leases office space under an operating lease, which expires in February 2021. The lease provides for basic monthly rentals. Rental expense under the lease totaled \$99,120 for the year ended June 30, 2020 (\$94,435 for the year ended June 30, 2019).

Future minimum lease payments are \$68,885 for the fiscal year ending June 30, 2021.

8. Related Parties

The Executive Director of NAVS is also an officer for the International Foundation for Ethical Research (IFER), to which NAVS granted \$225,000 for the year ended June 30, 2020 (\$150,000 for the year ended June 30, 2019). At June 30, 2019, \$150,000 was payable to IFER. IFER is a non-profit corporation, organized under the laws of Massachusetts, and was issued a certificate of incorporation by the state of Massachusetts on May 26, 1985. IFER fulfills its mission by awarding research grants to scientists who are developing credible alternatives, and to postgraduate students seeking to incorporate animal welfare issues into their studies. In addition, IFER disseminates information designed to increase awareness of alternatives through seminars, publications, and workshops.

9. Allocation of Joint Costs

During the years ended June 30, 2020 and 2019, NAVS incurred joint costs for informational materials and activities that included fund-raising appeals. The allocation of those costs was as follows as of June 30:

	2020	2019
Public awareness and general education	\$ 224,379	\$ 187,878
Cooperative efforts and grants	82,701	100,303
Fund-raising	81,477	61,301
Total	\$ 388,557	\$ 349,482

10. SBA Loan (PPP)

The PPP Loan, which is in the form of a Note dated May 6, 2020, matures on May 6, 2022 and bears interest at a rate of 1.00% per annum. Under the terms of the PPP, as modified by the Paycheck Protection Program Flexibility Act (PPPFA), principal and interest payments have been deferred. The first payment is deferred for six months after a forgiveness determination and repayment terms have been extended to a five-year period at the same interest rate of 1.00% per annum. These terms may be subject to further changes depending on any related legislation or related regulations.

National Anti-Vivisection Society
Notes to the Financial Statements (cont'd)

11. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of unexpended revenues and gains available for the following at June 30:

	2020	2019
Special project – Sanctuary fund	\$ 480,083	\$ 448,614
Unspent grant proceeds	119,435	-
Investment	-	265,709
	\$ 599,518	\$ 714,323

The sources of net other assets released from net assets with donor restrictions by incurring expenses satisfying the restricted purposes, or by the occurrence of events specified by the donor, were as follows at June 30:

	2020	2019
Special project – Sanctuary fund	\$ 82,701	\$ 100,000
Receipt of restricted investment	265,709	-
Total	\$ 348,410	\$ 100,000

12. Retirement Benefits

NAVS established an employees' benefit plan that allows all full-time employees to voluntarily defer current taxation of up to 16.6% to a maximum \$19,000 for calendar year 2020 and \$18,500 for calendar year 2019, of current income.

13. Royalty Income

In a previous year, NAVS received a bequest of 320 acres of land. In a lease executed during the year ended June 30, 2008, with an unrelated third party, NAVS will receive royalty income of 15% on all oil produced, saved, and marketed from the leased premises, and 15% of the market value for gas produced from the leased premises. The lease shall remain in force as long as oil or gas is produced from the leased premises. Total royalty income recorded in the statement of activities for the year ended June 30, 2020, amounted to \$200,063 (\$263,195 for the year ended June 30, 2019).

14. Certain Reclassifications

Certain reclassifications were made to the prior year financial statements to conform with the current year presentation. These reclassifications had no effect on previously reported total net assets or change in net assets.

National Anti-Vivisection Society
Notes to the Financial Statements (cont'd)

15. Future Changes in Accounting Principles

Revenue Recognition – In May 2014, the Financial Accounting Standards Board released ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)*. This ASU replaces all related existing revenue recognition guidance and provides a single, comprehensive revenue recognition model to account for contracts with customers. The standard's core principle is that organizations should recognize revenue at the time goods or services are transferred, and in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, to the changes in revenue recognition, this standard also expands the disclosure requirements to provide users of the financial statement with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from such contracts. This standard will be applicable to NAVS for the year ending June 30, 2021. NAVS is in the process of evaluating any potential impact related to its adoption but has yet to determine its effect.

Leases – In February 2016, the Financial Accounting Standards Board released Accounting Standards Update No. 2016-02 *Leases (Topic 842)*. The revised standard is intended to increase transparency by recognizing lease assets and liabilities on the statement of financial position and enhancing the related disclosures. Under current standards, a lease was only recognized on the balance sheet if it met the definition of a capital lease. However, under the new standard, a lessee will be required to:

- Recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial position.
- Recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis.
- Classify all cash payments within operating activities in the statement of cash flows.

In doing so, an entity must separate lease components from nonlease components (such as maintenance services) and include only the lease components in the measurement of the right-to-use asset and lease liability. Unless early implemented, this standard will be applicable to NAVS for the year ending June 30, 2022. NAVS is in the process of evaluating the potential impacts of its adoption but has yet to determine its effect.